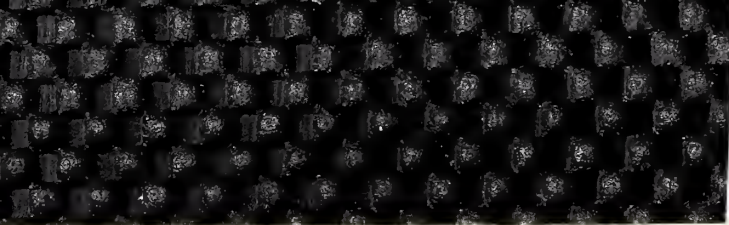


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Number 17

# The Changing Financial Structure of Farmer Cooperatives

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**THE CHANGING FINANCIAL STRUCTURE OF FARMER COOPERATIVES**, by Nelda Griffin, Roger A. Wissman, William J. Monroe, Francis P. Yager, and Elmer Purdue, Cooperative Management Division; Economics, Statistics, and Cooperatives Service; U.S. Department of Agriculture; Farmer Cooperative Research Report No. 17.

## **ABSTRACT**

Combined assets of 5,795 farmer marketing and supply cooperatives amounted to \$18.6 billion at the close of fiscal year 1976. Equity capital represented 42 percent, borrowed capital 33 percent, and other liabilities 25 percent of total assets. This report analyzes the financial structure of farmer cooperatives, including amounts, types and sources of equity and borrowed capital. Sales and other operating income and amounts and distribution of net savings and losses are also covered. Data are presented by major function, principal products handled, geographic location and income tax status of the cooperatives.

**KEYWORDS:** Financial structure, farmer cooperative balance sheet, farm supply, marketing, equity capital, operating statement, and net savings.

## **Preface**

This is the final aggregated report resulting from a nationwide study of cooperatives operating in 1976. While the data are for fiscal year 1976, they are benchmark data and will be useful indefinitely as base data for conducting other studies dealing with cooperative financing. Emphasis in the study is on financial structure and trends rather than specific figures. The financial structure of cooperatives results from decisions made over a period of time. Changes in financing methods alter the structure only gradually. The relationships reported in this study have therefore not changed significantly since the data were collected.

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## Highlights

This report provides detailed information on the financial structure of 5,795 farmer marketing, supply, and related service cooperatives for fiscal year 1976. Section II provides data on the 100 largest of these cooperatives.

*Sales*—Combined sales and other operating income of the 5,795 active cooperatives was almost \$52 billion. This figure includes some duplication because of intercooperative business. The 100 largest cooperatives accounted for 56 percent of the dollar total.

*Financial Structure*—Combined assets amounted to \$18.6 billion at the close of fiscal year 1976. This compares with \$8.5 billion in 1970, \$5.3 billion in 1962, and \$3.4 billion in 1954. Net assets for the 4 survey years below, after eliminating intercooperative investments, were as follows:

Fiscal year	Net assets <i>Million dollars</i>
1976	16,968
1970	7,681
1962	4,825
1954	3,073

Current assets accounted for 54 percent of total assets; fixed assets accounted for 32 percent; and prepaid items, investments, and other miscellaneous items accounted for the remaining 14 percent.

Combined equity capital of the cooperatives totaled \$7.7 billion, 42 percent of their total assets. Current liabilities were equivalent to 39 percent of their total assets, and term liabilities were 19 percent. Net working capital amounted to \$2.8 billion. The current ratio was 1.38 to 1.

The \$7.7 billion combined equity capital compares with \$4 billion in 1970, \$3.1 billion in 1962, and \$1.9 billion in 1954. Net equity capital for the 4 survey years, after eliminating intercooperative investments, was as follows:

Fiscal year	Net equity capital <i>Million dollars</i>
1976	6,141
1970	3,154
1962	2,559
1954	1,636

Borrowed capital outstanding at the close of fiscal year 1976 was \$6,149 million. This compares with \$2,766 million outstanding in 1970, \$1,191 million in 1962, and \$821 million in 1954.

The trend toward more reliance on borrowed capital and less on internally generated capital is continuing. Equity capital financed 57 percent of total capital needs of marketing and supply cooperatives in 1954 and 1962, 47 percent in 1970, and less than 42 percent in 1976. Borrowed capital took up some of the slack, increasing from 22 percent in 1962 to 32.6 percent in 1970, and to 33.1 percent in 1976.

*Equity Capital*—The \$7,727 million equity capital at the close of fiscal year 1976 was classified as follows:

Type of equity capital	Percent
Common stock	16.3
Preferred stock	18.1
Membership certificates	.4
Certificates of equity and capital credits	50.1
Unallocated reserves	<u>15.1</u>
Total	100.0

Excluding unallocated reserves of \$1,167 million, the cooperatives had allocated equity capital of \$6,560 million outstanding at the close of fiscal year 1976. Less than 11 percent of the allocated equity was purchased outright by members, patrons, and others, 12 percent was acquired as per unit capital retains from sales proceeds, and the other 77 percent was acquired by retention of patronage refunds for payment at some future date.

*Borrowed Capital*—Total outstanding borrowed capital was \$6,149 million. About 79 percent of the cooperatives reported outstanding borrowed funds. The percentages of borrowed capital, by source, were:

Sources	Percent
Banks for cooperatives	62.2
Commercial banks	9.5
Issuance of debt securities	18.9
Capitalized leases and industrial revenue bonds	3.6
Other cooperatives	1.9
Other sources	<u>3.9</u>
Total	100.0

*Net Savings and Losses*—Combined net savings and losses amounted to \$1,844 million. Of the 5,795 cooperatives, 5,127 had net savings for the fiscal year amounting to \$1,898 million, 560 had net operating losses amounting to \$53.7 million, and 108 ended the year with a zero net margin.

Distribution of net savings by those cooperatives with savings was as follows:

Method of distribution	Percent
Patronage refunds:	
Cash	39.3
Allocated	44.5
Dividends on equity capital	2.1
Unallocated reserves	8.4
Federal and State income taxes	<u>5.7</u>
Total	100.0

*Tax Status*—Forty-three percent of the 5,795 cooperatives were operating under section 521 of the Internal Revenue Code at the close of fiscal year 1976. The other 3,320 cooperatives did not have section 521 tax status.

# The Changing Financial Structure of Farmer Cooperatives

*Nelda Griffin, Roger A. Wissman,  
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## SECTION I. FARMER MARKETING AND SUPPLY COOPERATIVES—NATIONAL ESTIMATES

Most farmer-owned cooperatives conduct their businesses in full view of anyone who cares to look. Few businesses provide their owners as much information about their operations as most farmer cooperatives give their member-patrons. Yet farmer cooperative financing methods are not generally understood by many people outside cooperative circles, and unfortunately, some members are not fully aware of the growing financial needs of their cooperatives or of their basic responsibility to furnish needed capital. A sufficient base of equity capital is essential if cooperatives are to obtain loans at favorable rates.

The purpose of this study is to provide basic information on the financial structure of farmer cooperatives that should help reduce misunderstanding concerning sources and use of capital by cooperatives.

Section I of the study covers all marketing, farm supply, and related service cooperatives in the United States except for small livestock shipping associations and county wool pools with very limited capital requirements. It does not include farmers' mutual telephone, irrigation, and fire insurance companies; artificial breeding cooperatives, dairy herd improvement organizations, rural electric cooperatives, credit associations, and other service cooperatives.

The report discusses the various means farmer cooperatives use to accumulate funds to meet their capital needs. It summarizes the financial structure of farmer cooperatives and their Federal income tax status. It analyzes types, amounts, and sources of equity capital and how that equity capital was acquired by members and patrons; sources and amounts of borrowed funds; and the amount and distribution of net margins or savings and net losses.

The data show financial structure of the cooperatives in total and also by major function, principal product marketed, and geographic groupings (farm credit districts). These cooperatives are not entirely homogeneous regardless of how they are grouped. Cooperatives with comparable sales volume and similar proportions of marketing and supply business may vary greatly in composition of business volume, and will thus have different financial structures and problems.

All information included in this report is based on the results of a nationwide survey. The 100 largest were selected for the study using the entire universe based on business volume of all cooperatives. Other cooperatives included in the study were selected on a random sample basis after all the cooperatives were classified by geographic location, major function, and principal product marketed. The sample consisted of 2,281 of the other 5,695 active cooperatives listed with the Farmer Cooperative Service at the time the study was initiated.

In collecting data for the study some adjustments were required in the list of cooperatives—primarily that of dropping inactive cooperatives. The small livestock shipping

associations and county wool pools with very limited capital requirements were also dropped. National estimates of financial data for all 5,795 cooperatives remaining on the list, including the 100 largest, are provided in the first section of this report. Separate data covering only the 100 largest cooperatives are presented in section II. Further information on selection of the sample and computation of national estimates appears in appendix A.

The data in section I suggest some basic differences in financing patterns for farmer marketing and supply cooperatives. However, financing patterns of the 100 largest cooperatives, as shown in section II, contributed significantly to the financing patterns of all cooperatives, and this should be taken into consideration by the reader. Heavy borrowings, for example, by a few large cooperatives in some cases could dominate the credit picture for an entire group of cooperatives. Comparable data are shown in both section I and section II, so that data for the 5,695 cooperatives, excluding the 100 largest, can easily be derived by the reader.

A detailed questionnaire was used in collecting the data. Staff members of the Cooperatives Program of the Economics, Statistics, and Cooperatives Service (ESCS), U.S. Department of Agriculture (USDA), completed many of the questionnaires by examining audit reports, annual reports, and other financial statements of the sample cooperatives. Other questionnaires were completed at banks for cooperatives or at the offices of federated cooperatives or auditing firms. And, in some cases, questionnaires were mailed directly to cooperatives for completion.

Because of the many variations in accounting and auditing practices and terminology, the financial reports of each cooperative were examined in detail whenever possible, and necessary adjustments made to insure comparability of data and permit meaningful group totals. All of the questionnaires were edited by staff members of the Cooperatives Program of ESCS for uniformity, accuracy, and completeness. Accounting and capital terms used throughout the report are defined in appendix B.

The data presented are primarily for fiscal years ending in 1976. However, earlier or later data were used for a few of the cooperatives when 1976 information was not available.

Three similar studies of financial structure of farmer marketing and supply cooperatives were made by the former Farmer Cooperative Service, now part of Economics, Statistics, and Cooperatives Service (ESCS), for earlier years. These were based on 1970, 1962, and 1954 data.<sup>1</sup> Data in this report for 1976 are compared with previously published data for 1970, 1962, and 1954 whenever relevant.

## Classification Of Cooperatives

Farmer cooperatives cannot easily be divided into two distinct groups—those engaged in marketing farm products and those engaged in providing farm supplies. Since many have become highly diversified, some of those engaged only in marketing activities handle two or more products.

As indicated earlier, for this study, cooperatives were classified by major function, by principal product marketed, and by geographic districts in which they were headquartered. The cooperatives in these groups were further classified according to their Federal income tax status.

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<sup>1</sup>Nelda Griffin, *A Financial Profile of Farmer Cooperatives in the United States*, Research Rpt. No. 23, Farm. Coop. Serv., U.S. Dept. of Agr., Oct. 1972. Nelda Griffin and Roger Wissman, *Financial Structure of Farmer Cooperatives*, Research Rpt. No. 10, Farm. Coop. Serv., U.S. Dept. Agr., Mar. 1970. Helim H. Hulbert, Nelda Griffin, and Kelsey B. Gardner, *Methods of Financing Farmer Cooperatives*, Gen. Rpt. No. 32, Farm. Coop. Serv., U.S. Dept. Agr., June 1957.

Table 1—Number of farmer marketing and supply cooperatives, by major function, fiscal years 1976, 1970, and 1962

Major functions	1976 <sup>1</sup>	1970	1962
<i>Number</i>			
Farm supply .....	2,164	2,315	2,592
Marketing <sup>2</sup> .....	1,674	2,504	3,371
Marketing/farm supply .....	1,957	2,470	2,559
Total .....	5,795	7,289	8,522

<sup>1</sup> Excludes cooperatives engaged exclusively in livestock shipping and small county wool pools.

<sup>2</sup> Includes some cooperatives engaged primarily in bargaining activities.

Tables 1, 2, and 3 show numbers of cooperatives in each of the three major classifications. In table 1, the cooperatives are grouped according to major function. Table 2 further classifies the cooperatives engaged in marketing by principal products marketed. In table 3, the cooperatives are classified by geographic location of their headquarters.

### Classification by Major Function

Because many agricultural cooperatives engage in both marketing and supply activities, and because the predominant activity often accounts for little more than half the total dollar volume of business, this report treats a third functional group or classification of cooperatives—a combination group involved substantially in both marketing and supply activities. The cooperatives were grouped on the basis of their major functional business activity as follows:

- Farm supply*—A cooperative with supply business accounting for all or a major portion of total dollar volume;
- Marketing*—A cooperative with marketing of farm products accounting for all or a major portion of total dollar volume; and
- Marketing/farm supply*—A multipurpose cooperative engaged in both marketing and supply activities with each activity accounting for a substantial portion of the total dollar volume.

Over 37 percent of the 5,795 cooperatives were classified as farm supply, 29 percent as marketing, and the other 34 percent as multipurpose or combination marketing and farm supply based on business activity for 1976 (table 1).

The 2,164 cooperatives in the farm supply group handled all types of farm production supplies, such as farm chemicals, machinery and equipment, feed, seed, fertilizer, petroleum products, building materials, and containers and packaging supplies. These farm supply cooperatives were not further classified for this study by major types of farm supplies handled.

Of the 1,674 marketing cooperatives, 129 were engaged primarily in bargaining activities in 1976. Eighty-five were bargaining for dairy products, 22 for sugar beets, and 22 for fruits and vegetables. Since many primarily bargaining cooperatives also processed and/or marketed some farm products for their members, the 129 bargaining cooperatives were grouped with the other 1,545 marketing associations (except for identification purposes in table 2).

Table 2—Number of farmer marketing and marketing/supply cooperatives, by principal products marketed, fiscal years 1976, 1970, and 1962

Principal product marketed	1976	1970	1962
<i>Number</i>			
Diversified marketing/farm supply . . . . .	28	78	121
Cotton and cotton products . . . . .	401	526	504
Marketing . . . . .	229	414	386
Marketing/farm supply . . . . .	172	112	118
Dairy products . . . . .	459	826	1,379
Marketing . . . . .	313	604	963
Marketing/farm supply . . . . .	61	80	190
Bargaining . . . . .	85	142	226
Fruits and vegetables . . . . .	364	475	619
Marketing . . . . .	291	312	493
Marketing/farm supply . . . . .	51	132	93
Bargaining . . . . .	22	31	33
Grain, soybeans, and products . . . . .	2,074	2,221	2,305
Marketing . . . . .	476	250	374
Marketing/farm supply . . . . .	1,598	1,971	1,931
Livestock and wool, and products <sup>1</sup> . . . . .	97	514	524
Marketing and shipping . . . . .	90	499	510
Marketing/farm supply . . . . .	7	15	14
Poultry and poultry products . . . . .	37	74	138
Marketing . . . . .	22	37	62
Marketing/farm supply . . . . .	15	32	67
Bargaining . . . . .	0	5	9
Rice . . . . .	50	54	57
Marketing . . . . .	38	34	46
Marketing/farm supply . . . . .	12	20	11
Sugar . . . . .	46	63	64
Marketing . . . . .	23	18	22
Marketing/farm supply . . . . .	1	2	0
Bargaining . . . . .	22	43	42
Nuts . . . . .	17	17	27
Marketing . . . . .	15	9	23
Marketing/farm supply . . . . .	2	8	4
Tobacco . . . . .	18	28	22
Marketing . . . . .	16	26	22
Marketing/farm supply . . . . .	2	2	0
Dry beans and peas . . . . .	12	13	14
Marketing . . . . .	6	5	4
Marketing/farm supply . . . . .	6	8	10
Other products . . . . .	28	85	156
Marketing . . . . .	26	75	156
Marketing/farm supply . . . . .	2	10	0
Total . . . . .	3,631	4,974	5,930
Marketing . . . . .	1,545	2,283	3,061
Marketing/farm supply . . . . .	1,957	2,470	2,559
Bargaining . . . . .	129	221	310

<sup>1</sup> Excludes cooperatives engaged exclusively in livestock shipping and small county wool pools for 1976.

## Classification by Principal Products Marketed

The number of primarily marketing cooperatives (including bargaining) classified by major products marketed in fiscal year 1976 were:

Classification	Number
Cotton and cotton products	229
Dairy products	398
Fruits and vegetables	313
Grain, soybeans, and products	476
Livestock and wool, and products	90
Poultry and eggs	22
Rice	38
Sugar	45
Nuts	15
Tobacco	16
Dry beans and peas	6
Other products	26
Total	<u>1,674</u>

Other products included in the list above and in table 2 included such products as seeds, alfalfa, hay, coffee, flowers and flower bulbs, hops, forest products, tung oil, turpentine, and chinchilla and mink furs.

Only 23 percent of the 2,074 cooperatives marketing grain and soybeans in 1976 were classified by major function as marketing because more than three out of four of the grain marketing cooperatives also reported sufficient volume of farm supply business to be classified as marketing/farm supply. The major farm product marketed by almost 82 percent of the cooperatives classified as marketing/farm supply was grain or grain products.

A total of 1,957 cooperatives were classified as marketing/farm supply cooperatives in 1976 (table 2). The numbers of multipurpose associations, classified by major farm product marketed were:

Classification	Number
Diversified marketing/farm supply	28
Cotton/farm supply	172
Dairy/farm supply	61
Fruits and vegetables/farm supply	51
Grain and soybeans/farm supply	1,598
Livestock and wool/farm supply	7
Poultry/farm supply	15
Rice/farm supply	12
Sugar/farm supply	1
Nuts/farm supply	2
Tobacco/farm supply	2
Dry beans and peas/farm supply	6
Other products/farm supply	2
Total	<u>1,957</u>

The 28 cooperatives classified as diversified marketing/farm supply were too highly diversified to be classified by products marketed. Eleven of the 28 were among the largest 100 cooperatives.

In tabulating data for this study, the 1,674 marketing cooperatives and the 1,957 marketing/farm supply cooperatives were classified by major product marketed, as shown in table 2. However, in the remaining tables providing information on the basis of product marketed, the two groups of cooperatives engaged in marketing were combined. For example, data for the 229 cotton marketing cooperatives and the 172 cotton marketing/farm supply cooperatives were combined to give a total of 401.

The 3,631 marketing and marketing/farm supply cooperatives combined are shown throughout the report, by major products marketed, as follows:

Classification	Number
Diversified	28
Cotton and cotton products	401
Dairy products	459
Fruits and vegetables	364
Grain, soybeans and products	2,074
Livestock and wool	97
Poultry products	37
Rice	50
Sugar	46
Other products	<u>75</u>
Total	3,631

The 75 cooperatives listed above as marketing other products include cooperatives marketing the following products: tobacco (18), nuts (17), dry beans and peas (12), and other miscellaneous products (28).

### Classification by Farm Credit Districts

The 5,795 cooperatives were tabulated by geographic location of their main offices. Table 3 shows the number of cooperatives with headquarters located in each farm credit district, and a map showing States located in each of the districts appears as figure 1. The 12 farm credit districts were used as a geographic classification because farmer cooperatives use the banks for cooperatives as their major source of borrowed capital. However, loans to large regional or interregional cooperatives, with membership located in two or more farm credit districts, are in some cases handled by a different bank for cooperatives than the one in which their main office is located. For this reason, total cooperative borrowings from each of the 12 farm credit banks for cooperatives would not be the same as total borrowings by cooperatives with headquarters located in each farm credit district, as reported for this study.

The number of cooperatives with headquarters in each farm credit district are shown in table 4, along with major functions of and major products marketed by the cooperatives located in each district.

The largest number of cooperatives had their headquarters in the St. Paul district in 1976—25 percent of all 5,795 active cooperatives. The second largest number, 16 percent of the total, were located in the Omaha district. The smallest numbers of cooperatives were located in the Columbia and Baltimore districts.

Table 3—Number of farmer marketing and supply cooperatives, by farm credit districts, fiscal years 1976, 1970, and 1962

Farm credit district	1976 <sup>1</sup>	1970	1962
	<i>Number</i>		
Springfield . . . . .	278	388	551
Baltimore . . . . .	208	343	449
Columbia . . . . .	204	209	232
Louisville . . . . .	452	532	581
New Orleans . . . . .	272	269	226
St. Louis . . . . .	490	593	727
St. Paul . . . . .	1,474	1,998	2,388
Omaha . . . . .	930	1,094	1,260
Wichita . . . . .	473	552	628
Houston . . . . .	368	479	493
Sacramento . . . . .	287	368	454
Spokane . . . . .	359	464	533
U.S. Total . . . . .	5,795	7,289	8,522

<sup>1</sup> Excludes cooperatives engaged exclusively in livestock shipping and small county wool pools.

Figure 1

## Cooperative Farm Credit Districts

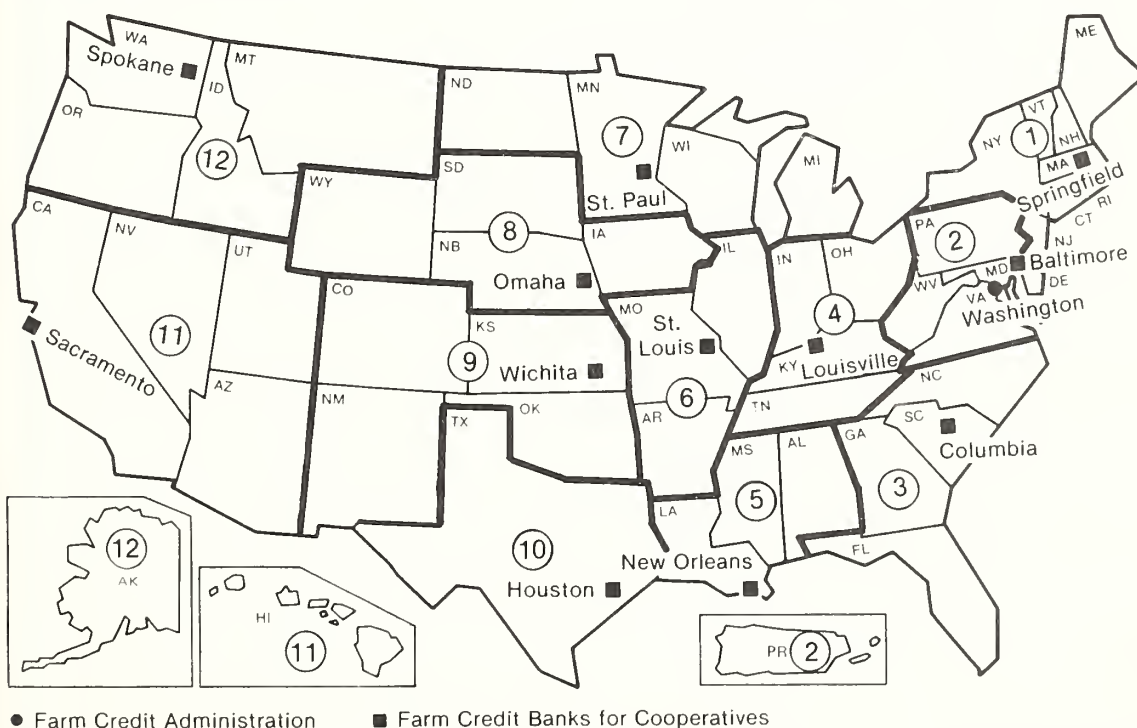


Table 4—Number of farmer marketing and supply cooperatives, by major function and principal products marketed, with location of headquarters by farm credit district, fiscal year 1976

Major function and principal products marketed	Cooperatives with headquarters located in farm credit districts—												
	Springfield	Baltimore	Columbia	Louisville	New Orleans	St. Louis	St. Paul	Omaha	Wichita	Houston	Sacramento	Spokane	Total
	Number												
Farm supply . . . . .	165	139	93	152	140	194	668	283	67	50	49	164	2,164
Marketing . . . . .	102	62	89	73	102	153	376	140	78	161	189	149	1,674
Cotton and cotton products . . . . .	—	—	2	1	51	15	—	—	20	112	28	—	229
Dairy products . . . . .	61	31	9	20	8	12	189	30	6	2	16	14	398
Fruits and vegetables . . . . .	28	18	60	12	5	4	16	—	8	6	105	51	313
Grain, soybeans, and products . . .	—	3	—	9	7	90	140	95	37	26	2	67	476
Livestock and wool¹ . . . . .	7	7	5	17	8	13	15	7	3	2	5	1	90
Poultry and poultry products . . . .	5	1	5	2	—	1	—	1	—	1	5	1	22
Rice . . . . .	—	—	—	—	10	17	—	—	—	9	2	—	38
Sugar . . . . .	—	—	3	2	12	—	7	4	—	1	7	9	45
Other products² . . . . .	1	2	5	10	1	1	9	3	4	2	19	6	63
Marketing/farm supply . . . . .	11	7	22	227	30	143	430	507	328	157	49	46	1,957
Diversified marketing . . . . .	1	—	4	—	2	3	4	1	—	6	4	3	28
Cotton and cotton products . . . . .	—	—	1	—	9	9	—	—	36	100	17	—	172
Dairy products . . . . .	2	—	1	—	—	1	48	2	—	—	4	3	61
Fruits and vegetables . . . . .	4	2	11	4	1	2	2	—	7	—	16	2	51
Grain, soybeans, and products . . .	1	3	1	221	11	127	372	499	283	42	2	36	1,598
Livestock and wool¹ . . . . .	—	—	—	1	2	—	—	4	—	—	—	—	7
Poultry and poultry products . . . .	3	1	4	—	—	1	3	—	—	—	3	—	15
Rice . . . . .	—	—	—	—	4	—	—	—	—	7	1	—	12
Sugar . . . . .	—	—	—	—	—	—	—	—	—	—	1	—	1
Other products³ . . . . .	—	1	—	1	1	—	1	1	2	2	1	2	12
Total . . . . .	278	206	204	452	272	490	1,474	930	473	368	287	359	5,795

<sup>1</sup> Excludes cooperatives engaged exclusively in livestock shipping and small county wool pools.

<sup>2</sup> Includes the following types of cooperatives: 16 tobacco, 15 nuts, 6 dry beans and peas, and 26 other farm products.

<sup>3</sup> Includes the following types of cooperatives: 2 tobacco, 2 nuts, 6 dry beans and pea, and 2 other farm products.

A large centralized regional cooperative may serve many more farmers than are served by a federated regional with numerous local associations. The federated form of organization is much more popular in the midwestern States than in other parts of the United States.

### **Classification by Federal Income Tax Status**

Federal income tax status of the cooperatives was also used as a sub-classification for this study.

Congress has enacted Federal income tax legislation from time to time over the last 30 years that deals specifically with farmer cooperatives. Substantial revisions were made in the Federal income tax laws relating to the tax treatment of farmer cooperatives and their patrons in 1962 and again in 1966. These revisions were designed primarily to ensure that taxable income received by cooperatives in the course of their business activities with their patrons is included in computing the income tax of either the cooperative or the patron, thus subjecting these amounts to a current single tax.<sup>2</sup>

Briefly, present Federal income tax laws provide that for per unit capital retains and net savings distributed as patronage refunds to be currently deductible by a cooperative, the patronage refunds must be paid in cash or redeemable in cash within 90 days of the date issued; or the patrons must consent to take into account the total amount of their per unit capital retains and their patronage refunds (qualified allocations) in determining their own taxable income. In addition, at least 20 percent of the current total patronage refunds must be paid currently in cash to the patrons. If these conditions are not met, the cooperative includes the amount of the per unit capital retains and the patronage refunds (nonqualified allocations) in its current taxable income, and later when it pays the capital retains or refunds in cash, the cooperative may deduct the amount paid.

Farmer marketing and supply cooperatives qualifying under section 521 of the 1954 Internal Revenue Code are also allowed to deduct from their gross income amounts paid as limited dividends on their capital stock or other equity capital, and amounts of non-patronage income (such as interest and rental income) distributed to patrons on a patronage basis.

Section 521 status (sometimes referred to as tax exempt status) is not automatic. Cooperatives must apply and, if qualified, a ruling or determination letter is issued by the Internal Revenue Service. There are strict requirements that must be met in order to qualify. Among these requirements are:

- The business with nonmembers may not exceed 50 percent of the cooperative's total business, and purchasing for persons who are neither members nor producers may not exceed 15 percent of the cooperative's total purchasing.
- The nonmembers are to be treated the same as members in business transactions.
- If organized on a capital stock basis, substantially all its stock (other than preferred nonvoting stock) must be owned by producers marketing their products or purchasing their supplies through it.
- The dividend rate on capital shares must not exceed the legal rate of interest in the State of incorporation, or 8 percent a year, whichever is the greater, based upon the value of the consideration for which the capital shares were issued.

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<sup>2</sup>Morrison Neely, *Legal Phases of Farmer Cooperatives, Part II, Federal Income Taxes*, Inf 100, Farm. Coop. Serv., U.S. Dept. Agr., May 1976. This bulletin discusses in depth the Federal income tax treatment of farmer cooperatives and their patrons.

Forty-three percent, or 2,475 of the 5,795 farmer marketing and supply cooperatives, had section 521 status at the close of fiscal year 1976; and 3,320, or 57 percent, did not. Significant differences in financial structure, methods of acquiring capital, and distribution of net margins by cooperatives with section 521 status, compared with cooperatives without section 521 status, are shown throughout this report.

## Sales And Other Operating Income

The 5,795 farmer marketing and supply cooperatives reported combined sales and other operating income of almost \$52 billion for their fiscal year ending in 1976. This is a gross figure which includes intercooperative business. Data on business done between or among cooperatives were not collected as a part of this study.

An annual survey is made by ESCS covering cooperative memberships and volume of business. Data are collected for each year in sufficient detail to determine both gross and net volumes of business figures. However, these volume figures are not comparable to sales figures collected for this finance study. For the finance study only gross sales and other receipts from operations were included in sales for 1975-76. Value of products handled on a commission basis or bargained for were excluded, but income derived from commissions, check-offs, and services such as storage, transportation, ginning, drying, etc. were included. Nonoperating income from sales, such as patronage refunds, interest and dividend income, rental income, income from sales or exchange of capital assets, et cetra, were excluded. *Statistics of Farmer Cooperatives, 1975-76* provides detailed volume of business figures for cooperatives and is available on request.<sup>3</sup>

The gross volume of business figures for 7,289 cooperatives of almost \$24 billion for 1970 and \$17 billion for 8,552 cooperatives in 1962, as reported in previous USDA finance studies, are not comparable to the 1975-76 gross sales figures collected for this report. Sales figures denoting actual income rather than value of product for 1975-76 were collected for this study so that the income figures would provide meaningful financial ratios, such as net margins to sales and equity capital to sales.

Table 5 shows that 4,721 of the 5,795 cooperatives had combined farm supply sales of almost \$15.9 billion, representing nearly 31 percent of the total income of all cooperatives. Marketing receipts of \$35 billion reported by 3,543 cooperatives represented 67.5 percent of the total income of all cooperatives, and service receipts and other operating income of less than \$1 billion accounted for the balance. All these are gross figures.

Sales of farm products on a buy-and-sale basis were reported by 3,111 cooperatives and amounted to almost \$29 billion, accounting for over 82 percent of total marketing receipts. Product sales on a pooling basis by 281 cooperatives totaled \$6 billion and accounted for an additional 17 percent of total marketing receipts. Combined income from products sold on a commission basis by 183 cooperatives and check-off income reported by 115 bargaining cooperatives accounted for less than 1 percent of total marketing receipts.

Table 6 shows sales and other operating income for fiscal year 1976 for farmer marketing and supply cooperatives, based on their Federal income tax status.

Nearly 43 percent of the 5,795 cooperatives had section 521 status. However, this group of 2,475 cooperatives accounted for less than 30 percent of the total sales and other

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<sup>3</sup>*Statistics of Farmer Cooperatives, 1975-76*, Research Rpt. No. 3, Econ. Stat. Coop. Serv., U.S. Dept. Agr., Mar. 1976. These data showed gross volume of business by all cooperatives was \$55.9 billion and net volume was \$40.1 billion for 1975-76.

operating income of the 5,795 cooperatives, an indication that more of the smaller cooperatives have section 521 tax status. Average 1976 gross sales and other operating income for the 5,795 cooperatives was almost \$9 million. The 2,475 cooperatives with section 521 status had average sales of \$6 million, compared with \$11 million for the 3,320 cooperatives without section 521 tax status.

Sales and other operating income of the 100 largest cooperatives totaled \$29 billion, 56 percent of the total for all 5,795 cooperatives. For more detail regarding this group, see section II.

Table 5—Sales and other operating income of 5,795 farmer marketing and supply cooperatives, fiscal year 1976<sup>1</sup>

Source of income	Cooperatives with any income from each source	Sales and other operating income	
	<i>Number</i>	<i>Million dollars</i>	<i>Percent of total</i>
Farm supply sales . . . . .	4,721	15,882	30.7
Marketing receipts:			
Sales of products on—			
Buy-and-sale basis . . . . .	3,111	28,886	55.8
Pooling basis . . . . .	281	6,011	11.6
Income from products sold on commission basis . . . . .	183	75	.1
Check-off on products bargained for . . . . .	115	18	nil
Total marketing receipts . .	3,543	34,990	67.5
Service receipts and other income (such as income from storage, ginning, transport, etc.) . . . . .	4,228	940	1.8
Total sales and other operating income . . . . .	5,795	51,812	100.0

<sup>1</sup> Intercooperative business has not been eliminated from these figures.

Table 6—Sales and other operating income of 5,795 farmer marketing and supply cooperatives, by major function and income tax status of the cooperatives, fiscal year 1976<sup>1</sup>

Major function and income tax status	Cooperatives		Sales and other operating income	
	<i>Number</i>	<i>Percent</i>	<i>Million dollars</i>	<i>Percent</i>
Farm supply . . . . .	2,164	100.0	7,353	100.0
Section 521 . . . . .	708	32.7	1,289	17.5
Nonsection 521 . . . . .	1,456	67.3	6,064	82.5
Marketing . . . . .	1,674	100.0	22,365	100.0
Section 521 . . . . .	1,135	67.8	9,541	42.7
Nonsection 521 . . . . .	539	32.2	12,824	57.3
Marketing/farm supply . . . . .	1,957	100.0	22,094	100.0
Section 521 . . . . .	632	32.3	4,446	20.1
Nonsection 521 . . . . .	1,325	67.7	17,648	79.9
Total . . . . .	5,795	100.0	51,812	100.0
Section 521 . . . . .	2,475	42.7	15,276	29.5
Nonsection 521 . . . . .	3,320	57.3	36,536	70.5

<sup>1</sup> Intercooperative business has not been eliminated from these figures.

## Sales and Other Operating Income by Major Function

Sales and other operating income for fiscal year 1976 are shown by source of income and by major function of the cooperatives in table 7. Table 8 shows the number of cooperatives, classified by major function, with any income from each source.

The 2,164 farm supply cooperatives had total 1976 sales volume of over \$7 billion, or 14 percent of the almost \$52 billion total for all cooperatives. The 1,674 primarily marketing cooperatives reported 43 percent of total sales and other operating income, and the 1,957 marketing/farm supply group accounted for the other 43 percent.

**Table 7—Sales and other operating income of 5,795 farmer marketing and supply cooperatives, by major function of the cooperatives, fiscal year 1976<sup>1</sup>**

Major function	Cooperatives	Sales and other operating income from—							
		Marketing receipts:					Farm supply sales	Service receipts	Total sales and other operating income
		Sales of products on buy-and-sale basis	Sales of products on pooling basis	Income from products sold on commission basis	Check-off on products bargained for	Total marketing receipts			
	<i>Number</i>	<i>Million dollars</i>							
Farm supply . . . . .	2,164	31	—	1	—	32	7,226	95	7,353
Marketing . . . . .	1,674	16,003	5,626	54	18	21,701	162	502	22,365
Marketing/farm supply . .	1,957	12,852	385	20	<sup>2</sup>	13,257	8,494	343	22,094
Total . . . . .	5,795	28,886	6,011	75	18	34,990	15,882	940	51,812

<sup>1</sup> Intercooperative business has not been eliminated from these figures.

<sup>2</sup> Less than \$500,000.

**Table 8—Number of farmer marketing and supply cooperatives with any sales and other operating income from specified sources, by major function of the cooperatives, fiscal year 1976**

Major function	Total number of cooperatives	Cooperatives with any sales and other operating income from—						
		Marketing receipts:					Farm supply sales	Service receipts
		Sales of products on buy-and-sale basis	Sales of products on pooling basis	Income from products sold on commission basis	Check-off on products bargained for	Any type of marketing receipts		
----- <i>Number</i> -----								
Farm supply . . . . .	2,164	95	—	20	—	112	2,131	1,321
Marketing . . . . .	1,674	1,133	240	120	112	1,498	637	1,120
Marketing/farm supply . .	1,957	1,883	41	43	3	1,933	1,953	1,787
Total . . . . .	5,795	3,111	281	183	115	3,543	4,721	4,228

As shown in table 6, of the 2,164 farm supply cooperatives, with almost \$7.4 billion in gross sales, the 708 with section 521 income tax status accounted for less than 18 percent of the total sales. Average 1976 gross sales for the 2,164 farm supply cooperatives were \$3.4 million. Average sales for the section 521 farm supply cooperatives were \$1.8 million. This compared with an average of almost \$4.2 million for those cooperatives without section 521 status.

The 1,674 cooperatives engaged primarily in marketing farm products had combined 1976 sales and other income of \$22.4 billion, an average of \$13.4 million per cooperative. The 1,135 marketing cooperatives with section 521 status had an average volume of \$8.4 million, compared with an average of almost \$23.8 million for the 539 cooperatives without section 521 status.

Combined gross sales and other operating income of the 1,957 cooperatives engaged in both marketing and farm supply activities amounted to \$22.1 billion in 1976, an average of \$11.3 million per cooperative. The average volume for the 632 marketing/farm supply cooperatives with section 521 status was \$7 million, and the average for the 1,325 cooperatives without section 521 status was \$13.3 million.

### Sales and Other Operating Income by Principal Products Marketed

Gross sales and other operating income for fiscal year 1976 for the 3,631 cooperatives engaged in marketing farm products are shown in table 9 by principal product marketed. The 2,074 cooperatives marketing grain accounted for 57 percent of the 3,631 cooperatives and for approximately half the \$44 billion gross sales and other operating income. Table 10 shows the number of cooperatives with any income from each source by principal products marketed in 1976.

Table 9—Sales and other operating income of 3,631 farmer marketing and marketing/supply cooperatives, by principal products marketed by the cooperatives, fiscal year 1976<sup>1</sup>

Principal product marketed	Cooperatives	Sales and other operating income from—							
		Marketing receipts:					Farm supply sales	Service receipts	Total sales and other operating income
		Sales of products on buy-and sale basis	Sales of products on pooling basis	Income from products sold on commission basis	Check-off on products bargained for	Total marketing receipts			
	<i>Number</i>	<i>-----Million dollars-----</i>							
Diversified . . . . .	28	2,692	11	<sup>3</sup>	—	2,703	3,907	27	6,637
Cotton and cotton products . .	401	530	623	<sup>3</sup>	<sup>3</sup>	1,153	85	108	1,346
Dairy products . . . . .	459	6,771	1,027	4	14	7,816	170	62	8,048
Fruits and vegetables . . . . .	364	275	2,721	19	3	3,018	126	201	3,345
Grain, soybeans, and products .	2,074	17,404	250	5	<sup>3</sup>	17,659	4,136	377	22,172
Livestock and wool <sup>2</sup> . . . . .	97	176	4	34	<sup>3</sup>	214	14	7	235
Poultry and eggs . . . . .	37	501	24	7	—	532	173	7	712
Rice . . . . .	50	2	573	3	<sup>3</sup>	578	19	29	626
Sugar products . . . . .	46	399	499	<sup>3</sup>	1	899	2	19	920
Other products . . . . .	75	105	279	2	<sup>3</sup>	386	24	8	418
Total . . . . .	3,631	28,855	6,011	74	18	34,958	8,656	845	44,459

<sup>1</sup> Intercooperative business has not been eliminated from these figures. Includes 1,957 cooperatives that are marketing farm products and also handling farm supplies.

<sup>2</sup> Excludes livestock shipping associations and county wool pools.

<sup>3</sup> Less than \$500,000.

Table 10—Number of farmer marketing and marketing/farm supply cooperatives with any sales and other operating income from specified sources, by principal product marketed by the cooperatives, fiscal year 1976<sup>1</sup>

Principal products marketed	Total number of cooperatives	Cooperatives with any sales and other operating income from—						
		Marketing receipts from:					Farm supply sales	Service receipts
		Sales of products on buy-and-sale basis	Sales of products on pooling basis	Income from products sold on commission basis	Check-off on products bargained for	Any type of marketing receipts		
-----Number-----								
Diversified . . . . .	28	27	3	3	—	28	27	19
Cotton and cotton products . .	401	319	38	12	1	355	250	383
Dairy products . . . . .	459	361	32	5	75	442	202	191
Fruits and vegetables . . . . .	364	122	165	38	11	296	104	220
Grain, soybeans and products .	2,074	2,061	7	24	10	2,068	1,930	1,934
Livestock and wool <sup>2</sup> . . . . .	97	36	5	54	1	86	10	40
Poultry products . . . . .	37	30	4	3	—	36	17	13
Rice . . . . .	50	4	4	8	2	17	22	47
Sugar products . . . . .	46	18	6	1	14	40	6	13
Other products . . . . .	75	38	17	15	1	63	22	47
Total . . . . .	3,631	3,016	281	163	115	3,431	2,590	2,907

<sup>1</sup> Includes 1,957 cooperatives that are marketing farm products and also handling farm supplies.

<sup>2</sup> Excludes livestock shipping associations and county wool pools.

Table 11 shows 1976 sales and other operating income for the 3,631 cooperatives involved in marketing (including 1,957 that were also handling farm supplies) by major commodity handled and by Federal income tax status. Combined gross sales for these cooperatives were almost \$44.5 billion, or an average volume of \$12.2 million per cooperative. Average sales for the 1,767 cooperatives with section 521 status were \$7.9 million, compared with \$16.3 million for the 1,864 nonsection 521 cooperatives.

Average gross sales were larger for the cooperatives with section 521 tax status than for those without for only three commodity groups—cotton, rice, and other products. Average sales and other operating income for the 296 section 521 cotton cooperatives totaled \$3.8 million compared with \$2 million for the 105 nonsection 521 cotton cooperatives. The primary activity of a majority of the cotton cooperatives was ginning. Average sales and other operating income (primarily drying) of the 38 rice cooperatives with section 521 status was \$16.2 million, compared with \$750,000 for the 12 rice cooperatives without section 521 status. And, the 75 cooperatives handling other products had average sales in 1976 of \$5.6 million. The 45 with section 521 status had average sales of \$6.9 million, compared with \$3.6 million for the 30 without section 521 status.

The 459 cooperatives marketing dairy products had combined sales and other operating income in 1976 of \$8 billion, an average of \$17.5 million per cooperative. Eighty-four percent of these dairy cooperatives, or 386, had section 521 tax status, but their average sales were only \$10.5 million, compared with \$54.8 million for the 73 dairy cooperatives without section 521 status.

Approximately 30 percent of the 2,074 cooperatives marketing grains and soybeans had section 521 tax status. Their average 1976 sales volume was \$6 million. The other 1,439 grain cooperatives without section 521 tax status had an average sales volume of \$12.7 million.

Two-thirds of the 364 fruit and vegetable marketing cooperatives had section 521 tax status, and this group had average sales of \$7.9 million for 1976. The one-third without section 521 tax status had an average sales volume of \$11.8 million.

The average sales volume in 1976 also was lower for the section 521 cooperatives marketing poultry, sugar, livestock and wool, and for the diversified group.

**Table 11—Sales and other operating income of 3,631 farmer marketing and marketing/supply cooperatives, by principal product marketed and income tax status of the cooperatives, fiscal year 1976<sup>1</sup>**

Principal product marketed and income tax status	Cooperatives		Sales and other operating income	
	<i>Number</i>	<i>Percent</i>	<i>Million dollars</i>	<i>Percent</i>
Diversified . . . . .	28	100.0	6,637	100.0
Section 521 . . . . .	14	50.0	1,405	21.2
Nonsection 521 . . . . .	14	50.0	5,232	78.8
Cotton and cotton products . . . . .	401	100.0	1,346	100.0
Section 521 . . . . .	296	73.8	1,135	84.3
Nonsection 521 . . . . .	105	26.2	211	15.7
Dairy products . . . . .	459	100.0	8,048	100.0
Section 521 . . . . .	386	84.1	4,050	50.3
Nonsection 521 . . . . .	73	15.9	3,998	49.7
Fruits and vegetables . . . . .	364	100.0	3,345	100.0
Section 521 . . . . .	242	66.5	1,905	57.0
Nonsection 521 . . . . .	122	33.5	1,440	43.0
Grain, soybeans and products . . . . .	2,074	100.0	22,172	100.0
Section 521 . . . . .	635	30.6	3,829	17.3
Nonsection 521 . . . . .	1,439	69.4	18,343	82.7
Livestock and wool . . . . .	97	100.0	235	100.0
Section 521 . . . . .	67	69.1	70	29.8
Nonsection 521 . . . . .	30	30.9	165	70.2
Poultry products . . . . .	37	100.0	712	100.0
Section 521 . . . . .	15	40.5	197	27.7
Nonsection 521 . . . . .	22	59.5	515	72.3
Rice . . . . .	50	100.0	626	100.0
Section 521 . . . . .	38	76.0	617	98.6
Nonsection 521 . . . . .	12	24.0	9	1.4
Sugar products . . . . .	46	100.0	920	100.0
Section 521 . . . . .	29	63.0	468	50.9
Nonsection 521 . . . . .	17	37.0	452	49.1
Other products . . . . .	75	100.0	418	100.0
Section 521 . . . . .	45	60.0	311	74.4
Nonsection 521 . . . . .	30	40.0	107	25.6
Total marketing and marketing/farm supply . . . . .	3,631	100.0	44,459	100.0
Section 521 . . . . .	1,767	48.7	13,987	31.5
Nonsection 521 . . . . .	1,864	51.3	30,472	68.5

<sup>1</sup> Intercooperative business has not been eliminated from these figures.

## Sales and Other Operating Income By Farm Credit Districts

Table 12 shows comparable sales figures when the 1976 data were tabulated on the basis of location of headquarters in farm credit districts. The St. Louis district, with 8 percent of the total number of cooperatives, reported 17.2 percent of the total sales volume. The St. Paul district, with 25 percent of the total number of cooperatives, reported 16.7 percent of total sales volume. Next largest combined sales figures were reported by the cooperatives with headquarters in the Omaha, Louisville, and Wichita districts, with each district accounting for approximately 10 percent of the total U.S. sales.

Table 13 shows the number of cooperatives in each district by sources of income.

Table 14 shows 1976 sales and other operating income for the cooperatives within farm credit districts based on Federal income tax status. Only in the Springfield district did average sales and other operating income for the section 521 cooperatives exceed the average for the nonsection 521 cooperatives. However, in the New Orleans and Omaha districts average sales volume of cooperatives without section 521 status was only \$1 to \$2 million larger than for section 521 cooperatives. In the Houston and Wichita districts, average sales and other operating income of the cooperatives without section 521 status were more than five times greater than for the section 521 cooperatives. Average volume for the cooperatives without section 521 status in the remaining districts was roughly two to three times greater than for those cooperatives with section 521 status.

**Table 12—Sales and other operating income of farmer marketing and supply cooperatives,  
by farm credit district, fiscal year 1976<sup>1</sup>**

Farm credit district	Cooperatives	Sales and other operating income from—							
		Marketing receipts:					Farm supply sales	Service receipts	Total sales and other operating income
		Sales of products on buy-and sale basis	Sales of products on pooling basis	Income from products sold on commission basis	Check-off on products bargained for	Total marketing receipts			
<i>Number</i>		<i>Million dollars</i>							
Springfield . . . . .	278	1,061	670	2	4	1,737	1,522	19	3,278
Baltimore . . . . .	208	534	79	7	3	623	536	14	1,173
Columbia . . . . .	204	1,299	621	2	<sup>2</sup>	1,922	751	97	2,770
Louisville . . . . .	452	3,304	27	10	2	3,343	1,660	55	5,058
New Orleans . . . . .	272	527	45	4	1	577	773	27	1,377
St. Louis . . . . .	490	4,189	467	4	<sup>2</sup>	4,660	4,169	95	8,924
St. Paul . . . . .	1,474	5,716	26	17	3	5,762	2,837	72	8,671
Omaha . . . . .	930	3,577	39	13	1	3,630	1,516	98	5,244
Wichita . . . . .	473	4,045	28	<sup>2</sup>	<sup>2</sup>	4,073	817	139	5,029
Houston . . . . .	368	2,705	319	1	<sup>2</sup>	3,025	227	114	3,366
Sacramento . . . . .	287	424	3,465	14	3	3,906	517	138	4,561
Spokane . . . . .	359	1,505	225	1	1	1,732	557	72	2,361
U.S. total . . . . .	5,795	28,886	6,011	75	18	34,990	15,882	940	51,812

<sup>1</sup> Intercooperative business has not been eliminated from these figures.

<sup>2</sup> Less than \$500,000.

Table 13—Number of farmer marketing and supply cooperatives with any sales and other operating income from specified sources, by farm credit district, fiscal year 1976

Farm credit district	Total number of cooperatives	Cooperatives with any sales and other operating income from—						
		Marketing receipts from:						
		Sales of products on buy- and-sale basis	Sales of products on pooling basis	Income from products sold on commission basis	Check-off on products bargained for	Any type of marketing receipts	Farm supply sales	Service receipts
-----Number-----								
Springfield . . . . .	278	56	14	12	35	104	188	192
Baltimore . . . . .	208	49	4	9	17	68	155	137
Columbia . . . . .	204	62	32	13	1	94	124	81
Louisville . . . . .	452	279	10	42	9	321	397	374
New Orleans . . . . .	272	94	4	16	2	112	180	129
St. Louis . . . . .	490	290	5	11	8	302	409	397
St. Paul . . . . .	1,474	787	10	24	19	814	1,288	873
Omaha . . . . .	930	638	7	16	3	649	879	843
Wichita . . . . .	473	397	7	—	—	402	438	445
Houston . . . . .	368	282	11	19	2	301	286	331
Sacramento . . . . .	287	41	160	16	12	212	122	182
Spokane . . . . .	359	136	17	5	7	164	255	244
U.S. total . . . . .	5,795	3,111	281	183	115	3,543	4,721	4,228

### Frequency Distribution by Size of Sales And Other Operating Income

A frequency distribution of the 5,795 cooperatives by size of sales and other operating income for their 1976 fiscal years is shown by major function of the cooperatives in the upper portion of table 15.

Only 3 percent of the 5,795 cooperatives had sales and other operating income of less than \$100,000 in fiscal year 1976. Thirteen percent had sales amounting to less than \$1 million, 26 percent had sales between \$1 million and \$5 million, and 19 percent between \$5 million and \$10 million. Therefore, 58 percent of the 5,795 cooperatives had sales and other operating income in fiscal year 1976 of less than \$10 million. Less than 17 percent of the 5,795 cooperatives reported sales and other operating income of \$25 million or more, and only 1.5 percent had sales of \$100 million or more.

Over 86 percent of the 2,164 primarily farm supply cooperatives had sales and other operating income between \$1 million and \$25 million in 1976. Only 6.5 percent had sales of less than \$1 million, while 7.3 percent had sales of over \$25 million.

Of the 1,674 primarily marketing cooperatives, 28 percent had sales and other operating income of less than \$1 million, over 55 percent had sales amounting to \$1 million but less than \$25 million, and the remaining 16 percent had sales of \$25 million or over.

Seven percent of the 1,957 combination marketing and marketing/farm supply cooperatives had sales amounting to less than \$1 million, 65 percent had sales between \$1 million and \$24.9 million, and 28 percent had sales of \$25 million or over.

Table 14—Sales and other operating income of 5,795 farmer marketing and supply cooperatives, by farm credit districts and income tax status of the cooperatives, fiscal year 1976<sup>1</sup>

Farm credit district and income tax status	Cooperatives		Sales and other operating income	
	Number	Percent	Million dollars	Percent
Springfield . . . . .	278	100.0	3,278	100.0
Section 521 . . . . .	107	38.5	1,408	43.0
Nonsection 521 . . . . .	171	61.5	1,870	57.0
Baltimore . . . . .	208	100.0	1,173	100.0
Section 521 . . . . .	144	69.2	598	51.0
Nonsection 521 . . . . .	64	30.8	575	49.0
Columbia . . . . .	204	100.0	2,770	100.0
Section 521 . . . . .	129	63.2	1,379	49.8
Nonsection 521 . . . . .	75	36.8	1,391	50.2
Louisville . . . . .	452	100.0	5,058	100.0
Section 521 . . . . .	251	55.5	1,614	31.9
Nonsection 521 . . . . .	201	44.5	3,444	68.1
New Orleans . . . . .	272	100.0	1,377	100.0
Section 521 . . . . .	181	66.5	815	59.2
Nonsection 521 . . . . .	91	33.5	562	40.8
St. Louis . . . . .	490	100.0	8,924	100.0
Section 521 . . . . .	150	30.6	1,140	12.8
Nonsection 521 . . . . .	340	69.4	7,784	87.2
St. Paul . . . . .	1,474	100.0	8,671	100.0
Section 521 . . . . .	611	41.5	2,422	27.9
Nonsection 521 . . . . .	863	58.5	6,249	72.1
Omaha . . . . .	930	100.0	5,244	100.0
Section 521 . . . . .	219	23.5	1,087	20.7
Nonsection 521 . . . . .	711	76.5	4,157	79.3
Wichita . . . . .	473	100.0	5,029	100.0
Section 521 . . . . .	60	12.7	141	2.8
Nonsection 521 . . . . .	413	87.3	4,888	97.2
Houston . . . . .	368	100.0	3,366	100.0
Section 521 . . . . .	256	69.6	930	27.6
Nonsection 521 . . . . .	112	30.4	2,436	72.4
Sacramento . . . . .	287	100.0	4,561	100.0
Section 521 . . . . .	227	79.1	3,039	66.6
Nonsection 521 . . . . .	60	20.9	1,522	33.4
Spokane . . . . .	359	100.0	2,361	100.0
Section 521 . . . . .	140	39.0	703	29.8
Nonsection 521 . . . . .	219	61.0	1,658	70.2
U.S. total . . . . .	5,795	100.0	51,812	100.0
Section 521 . . . . .	2,475	42.7	15,276	29.5
Nonsection 521 . . . . .	3,320	57.3	36,536	70.5

<sup>1</sup> Intercooperative business has not been eliminated from these figures.

Table 15 also shows a frequency distribution by size of sales and other operating income in 1976 for the 3,631 cooperatives engaged in marketing (including the 1,957 engaged in both marketing and supply activities). Of the 3,631 cooperatives, 2,074, or 57 percent, were grain or grain/supply cooperatives. Only 1 percent of these cooperatives marketing grain had 1976 sales and other operating income of less than \$1 million. Ten percent had sales between \$1 million and \$4.9 million, 18 percent had sales of \$5 million but less than \$10 million, almost 38 percent had sales between \$10 million and \$24.9 million, and nearly 33 percent had sales of \$25 million or over. Comparable data are shown in table 15 for cooperatives marketing other major farm products.

Table 16 provides a frequency distribution by size of sales and other operating income in fiscal year 1976 for the 5,795 cooperatives by farm credit districts. Percentage of cooperatives in each district with sales of less than \$1 million ranged from a high of almost 36 percent in the Houston district to a low of just over 2 percent in the Omaha district. The percentage of cooperatives with sales of \$25 million or over ranged from a high of 32 percent in the Omaha district to a low of around 3 percent in the Baltimore and Houston districts.

Table 15—Number of farmer marketing and supply cooperatives, classified by major function and principal product marketed, and percentage of cooperatives in each category with sales and other operating income of specified sizes, fiscal year 1976

Major function and principal product marketed	Cooperatives	Percentage of cooperatives with sales and other operating income amounting to—								
		Less than \$100,000	\$100,000-\$499,999	\$500,000-\$999,999	\$1-\$4.9 million	\$5-\$9.9 million	\$10-\$24.9 million	\$25-\$99.9 million	\$100 million and over	
		<i>Number</i>	<i>Percent</i>							
Major function:										
Farm supply . . . . .	2,164	0.8	1.6	4.1	34.2	26.8	25.2	6.8	0.5	
Marketing . . . . .	1,674	9.5	10.6	8.3	27.6	12.7	15.1	14.0	2.2	
Marketing/farm supply . . . . .	1,957	.2	2.8	4.0	15.6	16.6	32.9	25.9	2.0	
Total—All cooperatives . . . . .	5,795	3.1	4.6	5.3	26.0	19.3	24.9	15.3	1.5	
Principal product:										
Diversified . . . . .	28	0	7.1	3.6	28.6	7.2	10.7	7.1	35.7	
Cotton and products . . . . .	401	3.9	25.8	27.6	34.6	4.3	1.8	1.5	.5	
Dairy products . . . . .	459	12.7	4.2	4.6	40.7	16.1	9.2	9.5	3.0	
Fruits and vegetables . . . . .	364	8.2	12.5	11.5	40.2	10.1	9.8	6.1	1.6	
Grain . . . . .	2,074	.2	.4	.5	10.2	18.0	37.9	31.1	1.7	
Livestock and wool . . . . .	97	23.6	19.6	6.5	35.2	10.3	2.4	2.4	0	
Poultry products . . . . .	37	2.7	6.3	2.7	9.5	21.2	27.0	27.9	2.7	
Rice . . . . .	50	8.0	23.5	23.3	35.2	2.0	0	2.0	6.0	
Sugar products . . . . .	46	38.3	13.9	0	6.5	19.6	4.3	13.1	4.3	
Other . . . . .	75	12.8	21.5	17.4	24.3	7.3	12.7	2.7	1.3	
Total marketing and marketing/farm supply cooperatives . . . . .	3,631	4.5	6.4	6.0	21.1	14.8	24.7	20.4	2.1	

Table 16—Number of farmer marketing and supply cooperatives, by farm credit districts, and percentage of cooperatives in each category with sales and other operating income of specified sizes, fiscal year 1976

Farm credit district	Cooperatives	Percentage of cooperatives with sales and other operating income amounting to—							
		Less than \$100,000	\$100,000-\$499,999	\$500,000-\$999,999	\$1-\$4.9 million	\$5-\$9.9 million	\$10-\$24.9 million	\$25-\$99.9 million	\$100 million and over
	<i>Number</i>	<i>Percent</i>							
Springfield . . . . .	278	16.5	3.3	2.0	35.9	24.3	13.0	2.9	2.1
Baltimore . . . . .	208	11.2	4.7	1.8	47.7	21.2	10.1	2.4	.9
Columbia . . . . .	204	6.6	11.2	4.9	48.1	11.8	7.9	8.0	1.5
Louisville . . . . .	452	4.1	3.6	2.2	22.8	22.9	27.0	15.9	1.5
New Orleans . . . . .	272	4.1	14.2	11.3	22.5	31.7	11.3	3.8	1.1
St. Louis . . . . .	490	1.3	5.5	5.9	17.0	20.2	26.1	21.8	2.2
St. Paul . . . . .	1,474	.8	1.9	2.1	22.0	17.4	36.4	18.7	.7
Omaha . . . . .	930	.3	0	1.8	13.4	23.3	29.0	29.9	2.3
Wichita . . . . .	473	1.5	7.2	6.5	17.5	19.3	35.6	11.6	.8
Houston . . . . .	368	3.9	12.7	19.3	43.6	10.8	6.8	1.9	1.0
Sacramento . . . . .	287	3.6	8.2	14.7	40.4	10.0	9.8	9.8	3.5
Spokane . . . . .	359	3.7	3.5	7.5	43.7	16.7	16.5	7.3	1.1
U.S. total . . . . .	5,795	3.1	4.6	5.3	26.0	19.3	24.9	15.3	1.5

## Balance Sheet Data

The balance sheet is a basic record of business organizations that shows financial condition at a particular date. A comparison of the financial structure of farmer marketing and supply cooperatives, as shown by combined balance sheet data, is presented in figure 2 for fiscal years ending in 1976, 1970, 1962, and 1954. Dollar figures for these 4 survey years are shown in table 17.

Combined gross assets for all marketing and supply cooperatives reached a total of over \$18.5 billion in 1976. This compares with almost \$8.5 billion in 1970, \$5.3 billion in 1962, and less than \$3.4 billion in 1954. Average gross assets went from \$342,000 in 1954 to \$625,000 in 1962 to \$1.2 million in 1970, and to \$3.2 million in 1976.

When all intercooperative investments, such as stock or other equity owned by one cooperative in another, or patronage refunds retained by an interregional or federated cooperative for capital purposes appearing on the books of the member association, were eliminated from the gross figures shown in table 17, net assets and net equity capital of the cooperatives for the 4 years were estimated (table 18). The net figures equal total assets and total equity capital minus intercooperative investments.

Individual cooperatives sometimes join together with other cooperatives to market their farm products, or manufacture or procure farm supplies or services. A centralized farm supply cooperative serving a local community or communities may be a member of a regional or a statewide wholesaling/manufacturing cooperative that provides supplies to local cooperatives for resale. These cooperatives serving centralized or local cooperatives are generally referred to as federated cooperatives. Some centralized and federated cooperatives have formed yet another level of cooperatives to perform various functions. Examples are cooperatives that manufacture such farm supplies as fertilizer or petroleum products, or transport farm products. These cooperatives are generally called interregionals.

Many of the grain marketing cooperatives have developed a multi-level cooperative structure. Many cooperative grain elevators serving local farmers are members of federated grain marketing cooperatives with terminal grain elevators. The federated cooper-

Table 17—Financial structure of farmer marketing and supply cooperatives,  
fiscal years ending in 1976, 1970, 1962 and 1954<sup>1</sup>

Year	Cooperatives	Assets	Equity capital	Borrowed capital	Other liabilities
	<i>Number</i>	<i>----- Million dollars -----</i>			
1976 .....	5,795	18,554	7,727	6,149	4,678
1970 .....	7,289	8,477	3,950	2,766	1,761
1962 .....	8,522	5,323	3,057	1,191	1,075
1954 .....	9,793	3,351	1,914	821	616

<sup>1</sup> These are gross figures, intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with borrowed capital. Assets and borrowed capital exclude Commodity Credit Corporation loans to tobacco cooperatives.

Table 18—Comparison of net assets and net equity capital of farmer marketing and supply cooperatives,  
close of fiscal years 1976, 1970, 1962 and 1954

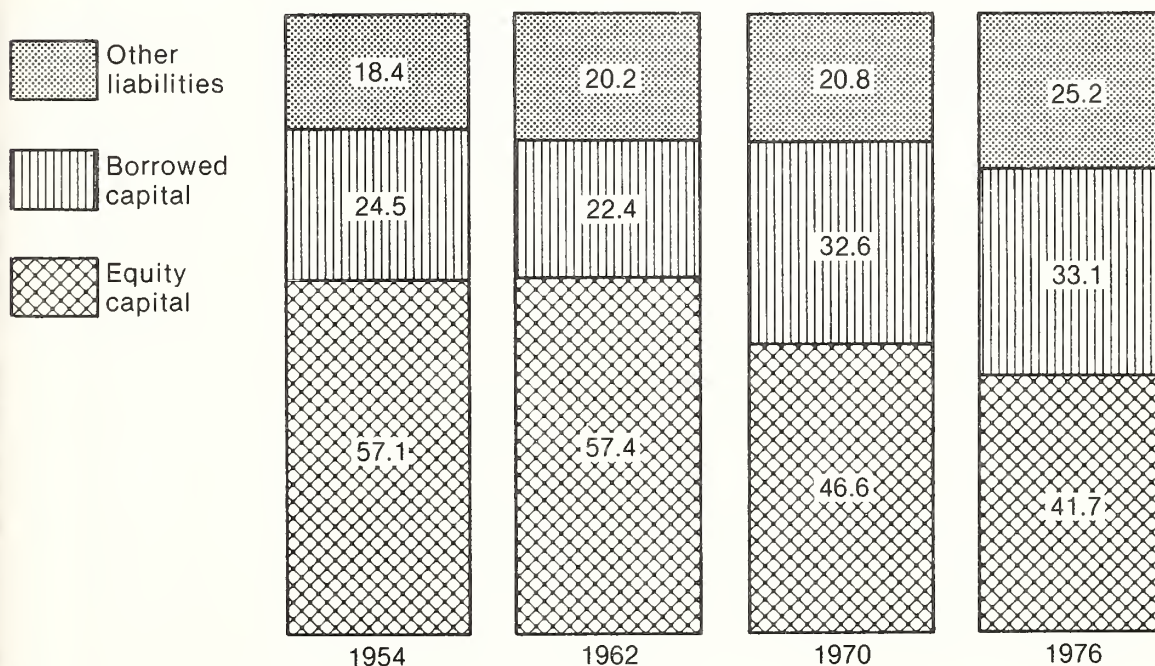
Year	Total number of cooperatives	Total assets	Total equity capital	Intercooperative investments	Net assets <sup>1</sup>	Net equity capital <sup>2</sup>
	<i>Number</i>	<i>----- Million dollars -----</i>				
1976 .....	5,795	18,554	7,727	1,586	16,968	6,141
1970 .....	7,289	8,477	3,950	796	7,681	3,154
1962 .....	8,522	5,323	3,057	498	4,825	2,559
1954 .....	9,793	3,351	1,914	278	3,073	1,636

<sup>1</sup> Total assets minus intercooperative investments.

<sup>2</sup> Total equity capital minus intercooperative investments.

Figure 2

## Farmer Marketing and Supply Cooperatives Financial Structure



Figures in bars are percent of total assets at close of fiscal years.

atives in turn may be members of interregional cooperatives with port elevators for exporting grain.

A cooperative's investment in these federated and interregional cooperatives is shown generally as investments in other cooperatives on the balance sheets of the member cooperatives. Generally, the greater the proportion of investments in other cooperatives the greater the development of federated or interregional cooperatives. However, some cooperatives have investments in other cooperatives as a result of joint ventures or business transactions between cooperatives, not as a result of the federated organizational structure. Eliminating the investments in other cooperatives from both sides of the balance sheet removes the doubling or tripling effect of all intercooperative investment and leaves net assets and net equity in cooperatives.

At the end of fiscal year 1976, 4,708 cooperatives had intercooperative investments totaling almost \$1.6 billion in other cooperatives. Intercooperative investments were equal to 8.5 percent of total assets in 1976, with little change for the percentages at the close of fiscal years ending in 1970, 1962, and 1954, as shown below:

Intercooperative investments as a percentage of—		
Year	Total assets	Total equity capital
1976	8.5	20.5
1970	9.4	20.2
1962	9.4	16.3
1954	8.3	14.5

Intercooperative investments were equal to over 20 percent of total equity capital in 1976 and 1970—an increase from roughly 15 percent in 1962 and 1954.

Table 19—Intercooperative investments of 5,795 farmer marketing and supply cooperatives, by major function and principal product marketed by the cooperatives, at close of fiscal year 1976

Major function and principal product marketed	Cooperatives		Total assets	Investments in other cooperatives	Net assets	Percentage of total assets consisting of investments in other cooperatives
	Total	With investments in other cooperatives				
	----- Number -----		----- Million dollars -----			Percent
Farm supply . . . . .	2,164	1,774	4,234	578	3,656	13.7
Marketing . . . . .	1,674	1,095	6,482	223	6,259	3.4
Marketing/supply . . . . .	1,957	1,839	7,838	785	7,053	10.0
Total . . . . .	5,795	4,708	18,554	1,586	16,968	8.5
Diversified . . . . .	28	23	2,934	129	2,805	4.4
Cotton and products . . . . .	401	356	691	57	634	8.2
Dairy products . . . . .	459	298	1,646	66	1,580	4.0
Fruits and vegetables . . . . .	364	163	1,890	60	1,830	3.2
Grain, soybeans and products . . . . .	2,074	1,953	5,717	677	5,040	11.8
Livestock and wool . . . . .	97	43	114	4	110	3.7
Poultry products . . . . .	37	18	168	5	163	3.0
Rice . . . . .	50	34	228	6	222	2.7
Sugar . . . . .	46	14	735	1	734	.1
Other . . . . .	75	32	197	3	194	1.5
Total . . . . .	3,631	2,934	14,320	1,008	13,312	7.0

Intercooperative investments of 5,795 farmer marketing and supply cooperatives at the close of fiscal year 1976 are shown in table 19 by major function and principal product marketed. The 2,164 farm supply cooperatives had \$578 million of intercooperative investments, equal to almost 14 percent of total gross assets. The 3,631 marketing and marketing/farm supply cooperatives had about \$1 billion of intercooperative investments, equal to 7 percent of their total gross assets. About two-thirds of this amount was held by the 2,074 grain and grain/farm supply cooperatives, which as a group had intercooperative investments equal to almost 12 percent of total gross assets.

## **Financial Structure**

Cooperatives have traditionally relied heavily on internally generated capital, but financial data for fiscal year 1976 provide further evidence of the definite and continuing trend toward an increasing use of borrowed capital (fig. 2). The financial structure of cooperatives was almost static between 1954 and 1962; members were supplying approximately 57 percent of the capital for their cooperatives. The members' share of total capital had dropped to less than 47 percent, and borrowed capital had increased to almost a third of total gross assets by the close of fiscal year 1970. The change between 1970 and 1976 was not as pronounced, but equity capital dropped an additional 5 percentage points to less than 42 percent of total assets, while borrowed capital increased slightly.

Liabilities other than borrowed capital—accounts payable, proceeds payable, and deferred and accrued items—accounted for 25 percent of total gross assets in 1976, almost a 5-percentage-point increase from 1970 when they accounted for less than 21 percent.

### **Financial Structure by Major Function**

Capital requirements and the capital structure of cooperatives varied somewhat according to the major function or activity of the cooperative—that is, whether they were engaged in marketing various farm products, bargaining, processing, handling farm supplies, or in several of these functions.

Combined balance sheet data for 1976 and 1970 for all marketing and supply cooperatives, with the cooperatives classified by major function, are shown in table 20. (Detailed data, previously collected for fiscal years 1962 and 1954, are not included because the original data for these years are not fully comparable. Maturity-dated patronage paper was originally included with equity capital for the 1962 and 1954 studies. All data for these years included in this report have been adjusted.)

Farm supply cooperatives had combined gross assets of \$4.2 billion at the close of fiscal year 1976, compared with less than \$1.7 billion in 1970. Member capital accounted for just over half of total assets in 1976, 28 percent was borrowed, and other liabilities accounted for the remaining 21 percent.

Combined assets of all cooperatives engaged primarily in marketing were \$6.5 billion in 1976, compared with \$3.1 billion in 1970. In 1976, equity capital accounted for 35 percent of total assets, borrowed capital for 35.5 percent, and other liabilities for 29.5 percent. Other liabilities generally account for a larger percentage of total assets in marketing cooperatives than in cooperatives handling farm supplies. This is largely because substantial amounts of proceeds payable to members in settling accounts or closing pools of the marketing cooperatives appear on the balance sheets as current liabilities until final payment for the products or settlement of pools.

The 1,957 cooperatives marketing farm products and also providing farm supplies had combined assets of \$7.8 billion at the close of their 1976 fiscal years. This compares with less than \$3.7 billion for 2,470 marketing/farm supply cooperatives in 1970. Equity

Table 20—Selected balance sheet data for farmer marketing and supply cooperatives, by major function of the cooperatives at close of fiscal years 1976 and 1970<sup>1</sup>

Major function and year	Cooperatives	Total assets	Percentage of total assets represented by—		
			Equity capital	Borrowed capital	Other liabilities
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>		
Farm supply:					
1976 .....	2,164	4,234	50.6	28.3	21.1
1970 .....	2,315	1,668	56.4	27.0	16.6
Marketing:					
1976 .....	1,674	6,482	35.0	35.5	29.5
1970 .....	2,504	3,138	43.0	31.4	25.6
Marketing/supply:					
1976 .....	1,957	7,838	42.3	33.8	23.9
1970 .....	2,470	3,671	45.2	36.3	18.5
Total:					
1976 .....	5,795	18,554	41.7	33.1	25.2
1970 .....	7,289	8,477	46.6	32.6	20.8

<sup>1</sup> These are gross figures, intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with borrowed capital. Assets and borrowed capital exclude Commodity Credit Corporation loans to tobacco cooperatives.

capital of this group of cooperatives accounted for 42 percent of total capital in 1976 compared with 45 percent in 1970. Borrowed capital accounted for almost 34 percent in 1976 and for a little over 36 percent in 1970.

### Financial Structure by Principal Products Marketed

The balance sheet structure of cooperatives not only varied by their major functions but also, for the marketing cooperatives, by the principal products they marketed. The financial position of cooperatives engaged in marketing farm products is shown separately in table 21, by principal products marketed, for fiscal years 1976 and 1970.

The 28 diversified cooperatives—those marketing two or more farm products and also providing farm supplies—had combined assets of \$2,934 million in 1976. Equity capital accounted for 31 percent of the total assets of the 28 cooperatives, borrowed capital accounted for almost 45 percent, and other liabilities for 24 percent. (This comparatively large asset figure for so few cooperatives and its makeup is accounted for primarily by the fact that 98 percent of it was reported by 11 of the largest 100 cooperatives included in this group. Financial data for the largest 100 are shown separately in section II of this report.)

Members of 401 cotton marketing and ginning cooperatives were supplying only 38 percent of the \$691 million capital assets in their cooperatives in 1976. Borrowed capital accounted for 43 percent of total assets of the cotton cooperatives and other liabilities accounted for the remaining 19 percent. This represents a substantial change from capital structure of cotton cooperatives in 1970. In 1970, combined assets of 526 cooperatives marketing or ginning cotton amounted to \$305 million. Members were supplying almost 63 percent of this, only 17 percent was borrowed, and other liabilities accounted for the other 20 percent.

Table 21—Selected balance sheet data for farmer marketing and marketing/farm supply cooperatives, by principal products marketed by the cooperatives at close of fiscal years 1976 and 1970<sup>1</sup>

Principal product and year	Cooperatives	Total assets	Percentage of total assets represented by—		
			Equity capital	Borrowed capital	Other liabilities
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>		
Diversified:					
1976 .....	28	2,934	31.0	44.7	24.3
1970 .....	78	1,440	37.6	46.0	16.4
Cotton & products:					
1976 .....	401	691	38.2	43.0	18.8
1970 .....	526	305	62.6	17.5	19.9
Dairy products:					
1976 .....	459	1,646	35.4	22.6	42.0
1970 .....	826	1,138	47.0	20.5	32.5
Fruits and vegetables:					
1976 .....	364	1,890	30.7	44.2	25.1
1970 .....	475	1,129	32.8	44.6	22.6
Grain, soybeans, and products:					
1976 .....	2,074	5,717	46.9	28.4	24.7
1970 .....	2,221	2,217	49.0	32.0	19.0
Livestock and wool:					
1976 .....	97	114	49.7	19.6	30.7
1970 .....	514	72	46.8	28.6	24.6
Poultry products:					
1976 .....	37	168	49.2	31.7	19.1
1970 .....	74	95	52.4	26.4	21.2
Rice:					
1976 .....	50	228	38.4	38.4	23.2
1970 .....	54	135	48.8	21.3	29.9
Sugar products:					
1976 .....	46	735	33.9	41.9	24.2
1970 .....	<sup>2</sup>	<sup>2</sup>	<sup>2</sup>	<sup>2</sup>	<sup>2</sup>
Other products: <sup>3</sup>					
1976 .....	75	197	44.5	19.6	35.9
1970 <sup>2</sup> .....	206	278	48.2	28.6	23.2
Total:					
1976 .....	3,631	14,320	39.0	34.6	26.4
1970 .....	4,974	6,809	44.2	34.0	21.8

<sup>1</sup> These are gross figures; intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with borrowed capital. Assets and borrowed capital exclude Commodity Credit Corporation loans to tobacco cooperatives.

<sup>2</sup> Sugar cooperatives were included in "other products" classification in 1970.

<sup>3</sup> Includes cooperatives handling the following products: in 1976—18 tobacco, 17 nuts, 12 dry beans and peas, and 28 other products; in 1970—63 sugar (including 43 sugar beet bargaining), 28 tobacco, 17 nuts, 13 dry beans and peas, and 85 other products.

Members of fruit and vegetable marketing cooperatives were supplying a smaller percentage of the total capital requirements of their cooperatives than were members of cooperatives marketing other farm products in 1976. This was also true for fruit and vegetable cooperatives at the time of our 1970 study. The 364 fruit and vegetable marketing cooperatives had combined assets of \$1.9 billion in 1976. Equity capital accounted for less than 31 percent of this, borrowed capital for over 44 percent, and other liabilities for the remaining 25 percent.

The 459 dairy cooperatives had total assets in 1976 of over \$1.6 billion. Members were supplying only 35.4 percent of this capital, but less than 23 percent was borrowed. The remaining 42 percent was in the form of other liabilities, primarily proceeds payable to members.

Over 57 percent of the 3,631 cooperatives engaged in marketing farm products in 1976 were marketing grain, soybeans, and their products. The 2,074 grain cooperatives had total assets in 1976 of \$5.7 billion. Members supplied 47 percent of this capital, 28 percent was borrowed, and 25 percent was in the form of other liabilities. The solvency ratios (equity as a percentage of total assets) are substantially higher for grain cooperatives than for cooperatives marketing most other major farm products, such as cotton, dairy, and fruits and vegetables (table 21). The basic financial structure of cooperatives marketing grain does not differ substantially from that of cooperatives handling farm supplies (table 20). Seventy-seven percent, or 1,598 of the 2,074 cooperatives marketing grain in 1976, were combination grain marketing and farm supply cooperatives; and supply cooperatives have, by their nature, generally exhibited higher financial ratios.

Table 21 also provides comparable data on financial structure for cooperatives marketing other farm products.

### **Financial Structure by Farm Credit Districts**

Selected balance sheet data for all farmer marketing and supply cooperatives, by farm credit districts, are shown in table 22 for fiscal years 1976 and 1970. Equity capital as a percentage of total assets at the close of fiscal year 1976 ranged from a high of almost 54 percent in the Omaha district to a low of less than 28 percent in the Springfield district.

Borrowed capital as a percentage of total assets averaged 33 percent for all 5,795 U.S. cooperatives at the close of their 1976 fiscal years. The percentage of borrowed capital was larger than average for cooperatives located in six districts: St. Louis, Sacramento, Columbia, Springfield, Houston, and New Orleans. Borrowed capital as a percentage of total assets was lowest in the Omaha and St. Paul districts.

Financial structure for all cooperatives located in a specific district is highly weighted by the figures for the few large cooperatives operating in each district, as shown in section 11 of this report. Equity capital as a percentage of total assets was largest for the cooperatives located in the Omaha and Wichita districts, but only 5 of the 100 largest cooperatives were located in these two districts combined. Many of the large regional cooperatives operate in two or more districts, but the figures are counted only in the district where each cooperative is headquartered.

A comparison of cooperatives, by farm credit districts, with percentages of total gross assets and equity capital owned by cooperatives located in each district, are shown in table 23 for fiscal years 1976, 1970, and 1962.

The St. Louis district, with 490 cooperatives and \$3.6 billion in assets in 1976, accounted for the largest portion of total assets, followed closely by the St. Paul district, with 1,474 cooperatives and \$3.3 billion in assets. These two districts accounted for a third of all active cooperatives in 1976, and for 37 percent of total assets and total equity

Table 22—Selected balance sheet data for farmer marketing and supply cooperatives, by farm credit districts, at close of fiscal years 1976 and 1970<sup>1</sup>

Principal product and year	Cooperatives	Total assets	Percentage of total assets represented by—		
			Equity capital	Borrowed capital	Other liabilities
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>		
Springfield:					
1976 .....	278	1,139	27.8	37.4	34.8
1970 .....	388	650	34.0	43.7	22.3
Baltimore:					
1976 .....	208	500	47.1	29.5	23.4
1970 .....	343	315	49.8	31.7	18.5
Columbia:					
1976 .....	204	1,139	37.1	38.4	24.5
1970 .....	209	494	44.7	35.0	20.3
Louisville:					
1976 .....	452	1,371	44.2	30.2	25.6
1970 .....	532	660	44.1	36.5	19.4
New Orleans:					
1976 .....	272	841	41.0	34.7	24.3
1970 .....	269	340	46.8	37.9	15.3
St. Louis:					
1976 .....	490	3,586	35.9	41.8	22.3
1970 .....	593	1,186	42.8	36.3	20.9
St. Paul:					
1976 .....	1,474	3,300	47.9	25.2	26.9
1970 .....	1,998	1,588	55.5	23.1	21.4
Omaha:					
1976 .....	930	1,712	53.9	23.2	22.9
1970 .....	1,094	745	52.8	27.8	19.4
Wichita:					
1976 .....	473	1,266	50.5	28.9	20.6
1970 .....	552	575	52.3	30.6	17.1
Houston:					
1976 .....	368	877	43.3	35.6	21.1
1970 .....	479	460	49.6	27.8	22.6
Sacramento:					
1976 .....	287	1,993	32.8	39.3	27.9
1970 .....	368	990	41.2	34.0	24.8
Spokane:					
1976 .....	359	830	40.9	29.4	29.7
1970 .....	464	474	38.2	40.7	21.1
U.S. total:					
1976 .....	5,795	18,554	41.7	33.1	25.2
1970 .....	7,289	8,477	46.6	32.6	20.8

<sup>1</sup> These are gross figures, intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with borrowed capital. Assets and borrowed capital exclude Commodity Credit Corporation loans to tobacco cooperatives.

capital. Several of the largest cooperatives have headquarters in these districts. Intercooperative investment is also a major factor.

Table 23—Number of farmer marketing and supply cooperatives and percentage of total assets and equity capital represented by cooperatives with headquarters located in each farm credit district, for fiscal years 1976, 1970 and 1962<sup>1</sup>

Farm credit district	Cooperatives			Total number of cooperatives			Total assets			Total equity capital		
	1976	1970	1962	1976	1970	1962	1976	1970	1962	1976	1970	1962
	<i>Number</i>			<i>Percent</i>								
Springfield . . . . .	278	388	551	4.8	5.3	6.5	6.2	7.7	7.0	4.1	5.6	5.9
Baltimore . . . . .	208	343	449	3.6	4.7	5.3	2.7	3.7	5.1	3.0	4.0	5.4
Columbia . . . . .	204	209	232	3.5	2.9	2.7	6.1	5.8	5.5	5.5	5.6	4.6
Louisville . . . . .	452	532	581	7.8	7.3	6.8	7.4	7.8	8.0	7.8	7.4	8.4
New Orleans . . . . .	272	269	226	4.7	3.7	2.6	4.5	4.0	2.8	4.5	4.0	2.9
St. Louis . . . . .	490	593	727	8.5	8.1	8.5	19.3	14.0	11.0	16.6	12.9	9.7
St. Paul . . . . .	1,474	1,998	2,388	25.4	27.4	28.0	17.8	18.7	19.2	20.4	22.3	20.3
Omaha . . . . .	930	1,094	1,260	16.0	15.0	14.8	9.2	8.8	8.8	12.0	9.9	9.7
Wichita . . . . .	473	552	628	8.2	7.6	7.4	6.8	6.8	7.4	8.3	7.6	8.5
Houston . . . . .	368	479	493	6.3	6.6	5.8	4.7	5.4	4.2	4.9	5.8	4.8
Sacramento . . . . .	287	368	454	5.0	5.0	5.3	10.8	11.7	13.7	8.5	10.3	12.6
Spokane . . . . .	359	464	533	6.2	6.4	6.3	4.5	5.6	7.3	4.4	4.6	7.2
U.S. total . . . . .	5,795	7,289	8,522	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1</sup> These are gross figures; intercooperative investments have not been eliminated.

## Condensed Balance Sheet Information

Condensed balance sheet information is included in this report for the fiscal year ending in 1976 only. In the most recent previous survey, for fiscal year 1970, comparable balance sheet data were not collected. Condensed balance sheet data collected for the fiscal year ending in 1962 are not comparable without adjustments because maturity-dated patronage paper was included with equity capital for the 1962 study. All basic balance sheet data for fiscal year 1962 included in this report have been adjusted.

The financial structure of farmer cooperatives, as shown by combined balance sheet data for the 5,795 cooperatives, for fiscal years ending in 1976 is presented in figure 3.

Total gross assets of the 5,795 cooperatives at the close of the fiscal year were \$18,554 million. Current assets accounted for 54 percent of this total. Fixed assets (reported at cost less depreciation) accounted for 32 percent; investments and other miscellaneous capital accounted for the other 14 percent.

Combined net worth, or equity capital, of the cooperatives at the close of the fiscal year was \$7,727 million, representing almost 42 percent of total assets. Current liabilities totaled \$7,251 million, or 39 percent of total assets; term liabilities of \$3,576 million accounted for the remaining 19 percent.

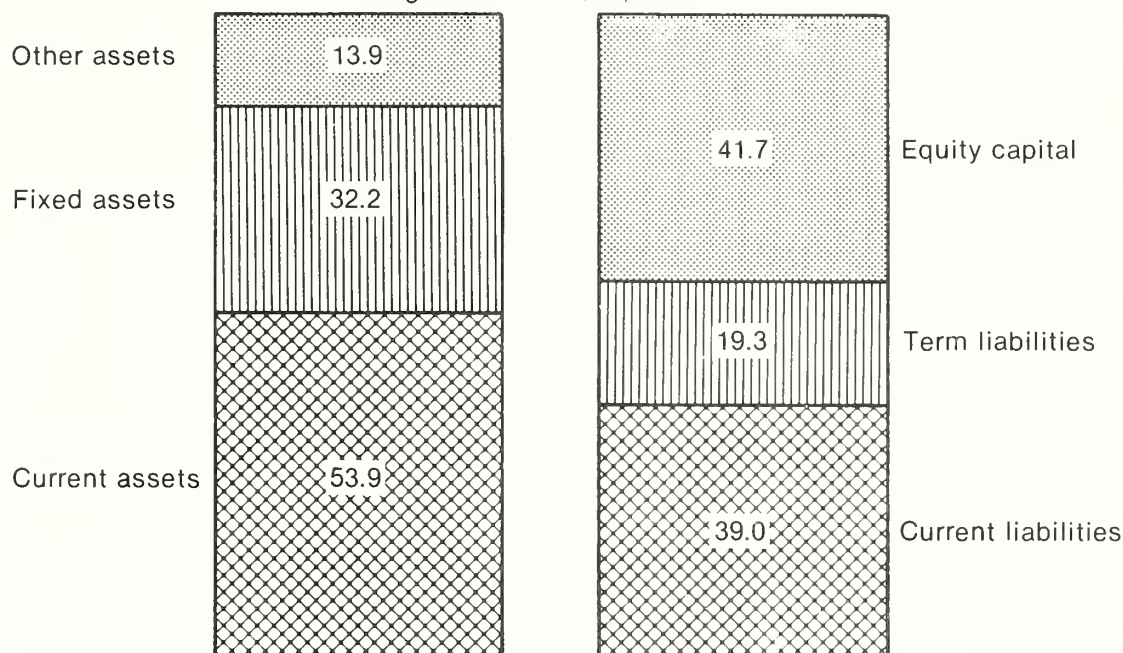
Net working capital of the cooperatives (current assets less current liabilities) amounted to \$2,758 million. The ratio of current assets to current liabilities (current ratio) was 1.38 to 1.

Condensed balance sheet data for the cooperatives for fiscal year 1976 are shown in table 24 by major function and Federal income tax status of the cooperatives. Of the 5,795 cooperatives, 2,475 were operating under section 521 of the Internal Revenue Code and 3,320 were not. Combined assets of the 2,475 cooperatives with section 521 status amounted to \$5.5 billion. The remaining 3,320 cooperatives had \$13 billion of assets.

Figure 3

## Condensed Balance Sheet Data for 5,795 Farmer Cooperatives

Total gross assets \$18,554 million



Data are for the close of fiscal year 1976.

% of total assets

USDA

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There was little difference in the proportion of current, fixed, and other assets for the two income tax groups, but the section 521 cooperatives had a higher percentage of total assets represented by current liabilities and a correspondingly lower percentage represented by term liabilities. Both groups had approximately 42 percent of their total assets represented by net worth or equity capital.

### Condensed Balance Sheet Information by Major Function

Table 24 shows condensed balance sheet data for the 5,795 cooperatives at the close of their 1976 fiscal years by major function.

The 2,164 primarily farm supply cooperatives had combined assets of \$4,234 million. Current assets accounted for almost 48 percent of the total assets. Fixed assets accounted for nearly 34 percent, and investments and other miscellaneous capital accounted for the other 18 percent.

Combined net worth or equity capital of the 2,164 farm supply cooperatives exceeded \$2,143 million. This represented almost 51 percent of total assets of the cooperatives. Current liabilities amounted to \$1,239 million, or 29 percent of total assets. Term liabilities of \$851 million accounted for the remaining 20 percent of total assets.

Net working capital of the farm supply cooperatives amounted to approximately \$779 million. The current ratio was 1.63 to 1.

The 1,674 primarily marketing cooperatives had combined assets of \$6,482 million at the close of the fiscal year. Member capital accounted for 35 percent of this total, current liabilities for 48 percent, and term liabilities for the other 17 percent.

Table 24—Condensed balance sheet data for 5,795 farmer marketing and supply cooperatives, by major function and income tax status of the cooperatives, at close of fiscal year 1976<sup>1</sup>

Major functions and income tax status	Cooperatives	Total assets	Percentage of total assets represented by—					
			Current assets	Fixed assets	Other assets	Current liabilities	Term liabilities	Equity capital
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>					
Farm supply . . . . .	2,164	4,234	47.7	33.7	18.6	29.3	20.1	50.6
Section 521 . . . . .	708	635	55.7	21.2	23.1	33.8	7.8	58.4
Nonsection 521 . . . . .	1,456	3,599	46.3	35.9	17.8	28.5	22.3	49.2
Marketing . . . . .	1,674	6,482	57.6	33.1	9.3	48.0	17.0	35.0
Section 521 . . . . .	1,135	3,346	57.0	33.6	9.4	49.3	16.3	34.4
Nonsection 521 . . . . .	539	3,136	58.2	32.6	9.2	46.6	17.8	35.6
Marketing/supply . . . . .	1,957	7,838	54.3	30.7	15.0	37.0	20.7	42.3
Section 521 . . . . .	632	1,516	55.0	28.2	16.8	35.1	15.3	49.6
Nonsection 521 . . . . .	1,325	6,322	54.2	31.3	14.5	37.5	22.0	40.5
Total . . . . .	5,795	18,554	53.9	32.2	13.9	39.0	19.3	41.7
Section 521 . . . . .	2,475	5,497	56.3	30.7	13.0	43.6	15.0	41.4
Nonsection 521 . . . . .	3,320	13,057	53.0	32.9	14.1	37.2	21.1	41.7

<sup>1</sup> These are gross figures, intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with liabilities. Assets and liabilities exclude Commodity Credit Corporation loans to tobacco cooperatives.

Fixed assets of the 1,674 marketing cooperatives amounted to 33 percent of total assets. Current assets totaled \$3.733 million, almost 58 percent of total assets, and investments in other cooperatives and miscellaneous assets accounted for the other 9 percent.

The current ratio of the 1,674 marketing cooperatives was 1.20 to 1. The net working capital amounted to \$623 million.

The 1,957 cooperatives engaged in both marketing and farm supply activities had total assets of \$7,838 million. Current assets accounted for 54 percent of this total, fixed assets for 31 percent, and investments and other miscellaneous assets for 15 percent.

Member capital of the 1,957 marketing/farm supply cooperatives amounted to 42 percent of total assets. Current liabilities were 37 percent and term liabilities almost 21 percent.

Net working capital of this group of marketing/farm supply cooperatives amounted to \$1,356 million. The current ratio was 1.47 to 1.

All three major functional groups of cooperatives had about one-third of their total assets in fixed assets at the close of fiscal year 1976. The farm supply group of cooperatives contained several large fertilizer manufacturing cooperatives. This produced a relatively high proportion of fixed assets and low proportion of current assets for all farm supply cooperatives. Those farm supply cooperatives engaged only in distribution of supplies had proportionately lower fixed assets and more current assets.

The marketing cooperatives had a lower percentage of their assets in the other assets category. Investments, primarily investments in other cooperatives, are the chief component of other assets. The marketing cooperatives, except those marketing grain, do not tend to jointly own facilities with other cooperatives.

The condensed balance sheet data presented in table 24 are shown by both major function and Federal income tax status of the cooperatives.

The financial structure of the 1,135 primarily marketing cooperatives with section 521 tax status did not differ significantly from the structure of the 539 marketing cooperatives without section 521 status.

However, the primarily farm supply cooperatives and the combination marketing/farm supply group operating under section 521 had a substantially smaller proportion of their total assets represented by term liabilities and a larger proportion represented by net worth or equity capital.

Several large cooperatives engaged in supply manufacturing (with relatively high proportions of fixed assets) and several large diversified marketing/farm supply cooperatives (with relatively higher term debt and lower net worth in their financial structure) were operating without section 521 tax status, and contributed significantly to the differences between the two tax groups of cooperatives shown in table 24. Comparable data for the 100 largest cooperatives, covered in section II of this report, show the impact of these large cooperatives on the percentages for all cooperatives.

### **Condensed Balance Sheet Information By Principal Products Marketed**

Condensed balance sheet data at the close of fiscal year 1976 are shown in table 25 for 3,631 marketing and marketing/farm supply cooperatives by principal product marketed. Current assets ranged from 40 percent of total assets for the sugar cooperatives to over 60 percent for the dairy and special crops cooperatives. Fixed assets ranged from about 25 percent of total assets for the livestock and wool and special crops groups to almost 57 percent for the sugar group.

Current liabilities as a percentage of total assets varied from about 36 percent for the highly diversified and the poultry cooperatives to almost 50 percent for the cooperatives handling fruits and vegetables and dairy products. Term liabilities varied all the way from roughly 11 percent for the cooperatives handling grain, livestock and wool, and other products to almost 33 percent for the highly diversified cooperatives.

The condensed balance sheet figures presented in table 25 are based on total figures for all 3,631 cooperatives engaged in marketing in 1976. The 100 largest cooperatives accounted for a major portion of the total assets in some of the commodity groups, thus the averages are heavily weighted by these few cooperatives. Section II provides separate data for the 100 largest cooperatives.

Condensed balance sheet data are also presented in table 25 for the 3,631 cooperatives based on federal income tax status of the cooperatives in 1976. As already indicated in earlier discussions, the large cooperatives account for much of the difference between the cooperatives operating under section 521 and those without section 521 status. Section II provides a comparison between the 100 largest cooperatives and all other cooperatives by tax status.

### **Condensed Balance Sheet Information By Farm Credit Districts**

Condensed balance sheet data for the 5,795 farmer marketing and supply cooperatives are shown in table 26 for fiscal year 1976 by farm credit districts.

Current assets as a percentage of total assets ranged from around 45 percent in the St. Louis, New Orleans, and Houston districts to 63 and 65 percent, respectively, in the Springfield and Sacramento districts. Fixed assets ranged from around 25 percent in the Louisville district to 41 percent in the New Orleans and St. Louis districts.

Table 25—Condensed balance sheet data for 3,631 farmer marketing and marketing/supply cooperatives, by principal product marketed and income tax status of the cooperatives at close of fiscal year 1976<sup>1</sup>

Principal product and income tax status	Cooperatives	Total assets	Percentage of total assets represented by—					
			Current assets	Fixed assets	Other assets	Current liabilities	Term liabilities	Equity capital
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>					
Diversified . . . . .	28	2,934	55.8	33.3	10.9	36.4	32.6	31.0
Section 521 . . . . .	14	541	60.0	26.0	14.0	37.5	23.4	39.1
Nonsection 521 . . . . .	14	2,393	54.9	34.9	10.2	36.1	34.7	29.2
Cotton and products . . .	401	691	53.4	33.1	13.5	48.1	13.7	38.2
Section 521 . . . . .	296	579	55.5	31.3	13.2	49.1	14.1	36.8
Nonsection 521 . . . . .	105	112	42.9	42.6	14.5	43.4	11.5	45.1
Dairy products . . . . .	459	1,646	61.4	28.1	10.5	48.3	16.3	35.4
Section 521 . . . . .	386	904	61.6	27.6	10.8	52.2	14.4	33.4
Nonsection 521 . . . . .	73	742	61.2	28.7	10.1	43.5	18.6	37.9
Fruits and vegetables . . .	364	1,890	59.5	31.3	9.2	49.9	19.4	30.7
Section 521 . . . . .	242	1,021	53.6	35.2	11.2	43.9	21.8	34.3
Nonsection 521 . . . . .	122	869	66.5	26.6	6.9	56.9	16.6	26.5
Grain, soybeans, and products . . . . .	2,074	5,717	55.1	28.8	16.1	40.3	12.8	46.9
Section 521 . . . . .	635	1,059	54.4	30.9	14.7	38.6	10.6	50.8
Nonsection 521 . . . . .	1,439	4,658	55.3	28.3	16.4	40.7	13.3	46.0
Livestock and wool . . . .	97	114	56.0	24.6	19.4	39.5	10.8	49.7
Section 521 . . . . .	67	70	61.3	19.0	19.7	47.0	13.4	39.6
Nonsection 521 . . . . .	30	44	47.7	33.4	18.9	27.8	6.7	65.5
Poultry products . . . . .	37	168	59.2	29.0	11.8	36.6	14.2	49.2
Section 521 . . . . .	15	52	60.2	28.2	11.6	19.1	8.9	72.0
Nonsection 521 . . . . .	22	116	58.7	29.4	11.9	44.4	16.5	39.1
Rice . . . . .	50	228	45.7	46.6	7.7	39.8	21.8	38.4
Section 521 . . . . .	38	219	46.2	46.4	7.4	40.5	22.3	37.2
Nonsection 521 . . . . .	12	9	32.4	50.8	16.8	21.7	9.3	69.0
Sugar products . . . . .	46	735	40.2	56.8	3.0	39.5	26.6	33.9
Section 521 . . . . .	29	272	52.2	46.1	1.7	62.1	8.8	29.1
Nonsection 521 . . . . .	17	463	33.1	63.1	3.8	26.2	37.0	36.8
Other products <sup>2</sup> . . . . .	75	197	69.0	25.4	5.6	43.6	11.9	44.5
Section 521 . . . . .	45	145	69.1	26.3	4.6	45.4	10.9	43.7
Nonsection 521 . . . . .	30	52	68.6	22.9	8.5	38.6	14.6	46.8
Total marketing and marketing/supply . . .	3,631	14,320	55.8	31.8	12.4	42.0	19.0	39.0
Section 521 . . . . .	1,767	4,862	56.4	31.9	11.7	44.9	15.9	39.2
Nonsection 521 . . . . .	1,864	9,458	55.5	31.8	12.7	40.5	20.6	38.9

<sup>1</sup> These are gross figures; intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with liabilities. Assets and liabilities exclude Commodity Credit Corporation loans to tobacco cooperatives.

<sup>2</sup> Includes cooperatives handling the following products: 18 tobacco, 17 nuts, 12 dry beans and peas, and 28 other products.

Table 26—Condensed balance sheet data for 5,795 farmer marketing and supply cooperatives, by farm credit districts and income tax status of the cooperatives, at close of fiscal year 1976<sup>1</sup>

Farm credit district and income tax status	Cooperatives	Total assets	Percentage of total assets represented by—					
			Current assets	Fixed assets	Other assets	Current liabilities	Term liabilities	Equity capital
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>					
Springfield . . . . .	278	1,139	65.4	27.1	7.5	41.9	30.3	27.8
Section 521 . . . . .	107	463	58.3	32.9	8.8	48.1	35.3	16.6
Nonsection 521 . . . . .	171	676	70.3	23.1	6.6	37.7	26.9	35.4
Baltimore . . . . .	208	500	56.5	28.9	14.6	32.5	20.4	47.1
Section 521 . . . . .	144	220	58.1	32.7	9.2	37.1	15.2	47.7
Nonsection 521 . . . . .	64	280	55.4	25.8	18.8	28.8	24.5	46.7
Columbia . . . . .	204	1,139	57.2	30.8	12.0	43.2	19.7	37.1
Section 521 . . . . .	129	521	57.3	27.5	15.2	37.3	18.4	44.3
Nonsection 521 . . . . .	75	618	57.2	33.6	9.2	48.1	20.8	31.1
Louisville . . . . .	452	1,371	59.8	25.5	14.7	42.5	13.3	44.2
Section 521 . . . . .	251	448	55.9	31.0	13.1	38.3	11.0	50.7
Nonsection 521 . . . . .	201	923	61.7	22.7	15.6	44.5	14.5	41.0
New Orleans . . . . .	272	841	45.9	41.5	12.6	33.1	25.9	41.0
Section 521 . . . . .	181	337	57.0	18.9	24.1	40.1	16.7	43.2
Nonsection 521 . . . . .	91	504	38.4	56.7	4.9	28.4	32.0	39.6
St. Louis . . . . .	490	3,586	45.1	41.3	13.6	32.0	32.1	35.9
Section 521 . . . . .	150	346	51.8	40.1	8.1	41.9	18.4	39.7
Nonsection 521 . . . . .	340	3,240	44.4	41.4	14.2	30.9	33.6	35.5
St. Paul . . . . .	1,474	3,300	54.8	28.2	17.0	40.0	12.1	47.9
Section 521 . . . . .	611	784	52.9	29.3	17.8	43.8	9.0	47.2
Nonsection 521 . . . . .	863	2,516	55.4	27.9	16.7	38.8	13.1	48.1
Omaha . . . . .	930	1,712	51.0	30.5	18.5	33.5	12.6	53.9
Section 521 . . . . .	219	380	54.8	29.7	15.5	38.7	8.6	52.7
Nonsection 521 . . . . .	711	1,332	49.9	30.7	19.4	32.1	13.6	54.3
Wichita . . . . .	473	1,266	54.4	30.7	14.9	39.5	10.0	50.5
Section 521 . . . . .	60	46	46.6	34.5	18.9	23.9	13.1	63.0
Nonsection 521 . . . . .	413	1,220	54.7	30.5	14.8	40.1	9.9	50.0
Houston . . . . .	368	877	45.8	37.5	16.7	35.9	20.8	43.3
Section 521 . . . . .	256	454	37.6	45.8	16.6	29.2	24.0	46.8
Nonsection 521 . . . . .	112	423	54.6	28.6	16.8	43.2	17.3	39.5
Sacramento . . . . .	287	1,993	63.3	29.5	7.2	52.5	14.7	32.8
Section 521 . . . . .	227	1,184	66.0	26.1	7.9	55.9	9.4	34.7
Nonsection 521 . . . . .	60	809	59.4	34.6	6.0	47.5	22.5	30.0
Spokane . . . . .	359	830	57.1	29.0	13.9	42.9	16.2	40.9
Section 521 . . . . .	140	314	57.9	32.6	9.5	47.6	11.1	41.3
Nonsection 521 . . . . .	219	516	56.7	26.8	16.5	40.0	19.3	40.7
U.S. total . . . . .	5,795	18,554	53.9	32.2	13.9	39.0	19.3	41.7
Section 521 . . . . .	2,475	5,497	56.3	30.7	13.0	43.6	15.0	41.4
Nonsection 521 . . . . .	3,320	13,057	53.0	32.9	14.1	37.2	21.1	41.7

<sup>1</sup> These are gross figures, intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with liabilities. Assets and liabilities exclude Commodity Credit Corporation loans to tobacco cooperatives.

Current liabilities were equal to about a third of total assets in the St. Louis, Baltimore, New Orleans, and Omaha districts, and to over one-half in the Sacramento district. Term liabilities ranged from 10 to 12 percent in the Wichita, St. Paul, and Omaha districts to over 30 percent in the St. Louis and Springfield districts.

As indicated earlier, many of these differences in financial structure are accounted for to a great degree by location of the headquarters of large cooperatives. Section II provides comparable data for the 100 largest cooperatives.

Condensed balance sheet data are also shown in table 26 based on income tax status of the cooperatives in each farm credit district. Considerable variation existed in 1976 in the balance sheet components of cooperatives operating under section 521 and those without section 521 status. These differences were largely due to variation in types and size of cooperatives in each district. The 100 largest cooperatives and their tax status were a major factor.

### Frequency Distribution by Size of Assets

A frequency distribution of the 5,795 marketing and supply cooperatives by size of assets at the close of their 1976 fiscal year is shown by major function of the cooperatives in table 27. This table also shows frequency distribution by size of assets for the 3,631 cooperatives engaged in marketing, including 1,957 that were marketing farm products and also handling farm supplies.

Four percent of the 5,795 cooperatives had assets of less than \$100,000. Fourteen percent had assets of less than \$500,000 and 24 percent had assets amounting to less than \$1 million. Over 42 percent of the cooperatives had assets of \$1 million but less than \$5 million, and nearly 19 percent had assets of \$5 million but less than \$10 million. Another

Table 27—Frequency distribution of farmer marketing and supply cooperatives by size of assets, by major function and principal product marketed by the cooperatives, at close of fiscal year 1976

Major functions and principal product marketed	Cooperatives	Total assets categories							
		Less than \$100,000	\$100,000-\$499,999	\$500,000-\$999,999	\$1-\$4.9 million	\$5-\$9.9 million	\$10-\$24.9 million	\$25-\$99.9 million	\$100 million and over
	<i>Number</i>	<i>Percent</i>							
<b>Major function:</b>									
Farm supply . . . . .	2,164	1.0	6.7	10.6	49.5	17.1	12.9	1.9	0.3
Marketing . . . . .	1,674	12.5	19.1	12.2	35.2	11.5	5.5	3.2	.8
Marketing/farm supply . . . . .	1,957	.4	6.4	6.6	40.1	26.8	16.6	2.6	.5
Total . . . . .	5,795	4.1	10.2	9.7	42.2	18.8	12.0	2.5	.5
<b>Principal product marketed:</b>									
Diversified . . . . .	28	3.6	21.5	7.1	17.9	7.1	7.1	21.4	14.3
Cotton and products . . . . .	401	3.2	34.7	26.1	31.8	1.8	1.0	.7	.7
Fruits and vegetables . . . . .	364	10.1	26.0	11.2	35.2	9.8	2.2	4.7	.8
Grain . . . . .	2,074	.3	1.4	3.4	43.7	30.4	17.9	2.6	.3
Dairy products . . . . .	459	19.7	25.2	18.3	23.6	5.1	4.4	3.0	.7
Livestock and wool . . . . .	97	40.2	15.0	7.2	32.7	1.3	3.6	0	0
Rice . . . . .	50	7.4	19.5	13.8	49.3	2.0	2.0	6.0	0
Poultry . . . . .	37	9.7	8.8	7.0	43.9	17.1	13.5	0	0
Sugar products . . . . .	46	42.2	7.8	2.2	15.2	8.7	8.7	10.9	4.3
Other . . . . .	75	6.3	37.6	18.3	25.1	10.0	0	2.7	0
Total . . . . .	3,631	6.0	12.3	9.2	37.8	19.8	11.5	2.8	.6

12 percent of the cooperatives had assets of \$10 million but less than \$25 million, leaving only 3 percent of the 5,795 cooperatives with assets of \$25 million or over in 1976.

Table 28 shows a comparison of frequency distribution of farmer marketing and supply cooperatives by size of assets at close of fiscal years 1976 and 1962. A total of 510 livestock and wool cooperatives were included in the 1962 study compared with only 97 in 1976. Livestock shipping associations and county wool pools (generally with very small amounts of assets) were excluded from the 1976 study. Over 90 percent of the 510 livestock and wool cooperatives included in the 1962 study had assets of less than \$100,000. The omission of the shipping associations and county wool pools in 1976 accounted for a substantial portion of the change in percentage of cooperatives with assets of less than \$100,000. Forty percent of the 97 livestock and wool cooperatives remaining in the study in 1976 reported assets of less than \$100,000. Many of these were involved only in pooling of livestock and livestock products, or were sales agencies or commission companies with limited capital requirements.

Three to four percent of the 3,631 marketing cooperatives were engaged primarily in bargaining for dairy products, sugar beets, or fruits and vegetables in 1976. Capital requirements of strictly bargaining cooperatives are very limited. Therefore, a vast majority of these cooperatives also fall in the "less than \$100,000" asset size category.

Size of assets when the 5,795 cooperatives were classified by major function is shown in the upper portion of table 27. Only 1 percent of the 2,164 primarily farm supply cooperatives had assets of less than \$100,000 and 18 percent had assets of less than \$1 million. These figures compare with nearly 13 percent of the 1,674 primarily marketing cooperatives with assets of less than \$100,000 and 44 percent with assets of less than \$1 million. The 1,957 marketing/farm supply cooperatives averaged the largest assets. Only 0.4 percent of this group (composed primarily of grain/farm supply cooperatives) had assets of less than \$100,000 and only 13 percent had assets of less than \$1 million.

A frequency distribution of the 5,795 cooperatives, by size of assets at the close of their 1976 fiscal years, is shown by farm credit districts in table 29. Percentage of the cooperatives in each district with assets amounting to less than \$100,000 ranged from less than 1 percent in the Omaha district to 13 and 15 percent respectively in the Baltimore and Springfield districts. Percentages with assets of less than \$1 million ranged from a low in the Omaha district of less than 5 percent to a high in the Houston district of over

Table 28—Comparison of frequency distribution of farmer marketing and supply cooperatives, by size of assets at close of fiscal years 1976 and 1962<sup>1</sup>

Size of assets	Cooperatives with assets of specified size <sup>2</sup>	
	1976	1962
	----- Percent -----	
Less than \$100,000 .....	4.1	31.2
\$100,000-\$499,999 .....	10.2	47.8
\$500,000-\$999,999 .....	9.7	12.5
\$1-\$9.9 million .....	61.0	7.6
\$10-\$24.9 million .....	12.0	.6
\$25 million and over .....	3.0	.3
Total .....	100.0	100.0

<sup>1</sup> Livestock shipping associations and county wool pools were excluded from the study in 1976. A total of 510 livestock and wool cooperatives were included in the study of 1962 compared with only 97 in 1976. Over 90 percent of the 510 livestock and wool cooperatives included in the 1962 study had assets of less than \$100,000.

<sup>2</sup> There were 5,795 cooperatives in 1976 and 8,522 in 1962.

Table 29—Frequency distribution of 5,795 farmer marketing and supply cooperatives, by size of assets, by farm credit districts, at close of fiscal year 1976

Farm credit district	Cooperatives	Total assets categories							
		Less than \$100,000	\$100,000-\$499,999	\$500,000-\$999,999	\$1-\$4.9 million	\$5-\$9.9 million	\$10-\$24.9 million	\$25-\$99.9 million	\$100 million and over
	<i>Number</i>	<i>Percent</i>							
Springfield	278	15.1	14.5	14.7	47.1	5.7	0.7	1.8	0.4
Baltimore	208	13.3	10.5	11.8	53.0	4.6	5.4	.9	.5
Columbia	204	8.0	13.5	14.2	51.0	5.4	3.5	3.9	.5
Louisville	452	5.3	6.5	9.2	52.4	16.6	8.5	.9	.6
New Orleans	272	3.5	14.6	8.4	57.3	11.7	3.4	.7	.4
St. Louis	490	5.9	8.2	8.7	44.7	21.9	8.2	1.4	1.0
St. Paul	1,474	2.3	8.2	8.8	28.4	27.2	22.4	2.4	.3
Omaha	930	.6	2.0	1.9	42.9	26.3	20.4	5.9	0
Wichita	473	1.3	13.8	9.8	41.8	23.8	8.7	.2	.6
Houston	368	4.0	23.7	23.7	41.2	3.6	1.6	1.4	.8
Sacramento	287	5.3	21.7	13.6	40.0	9.3	3.1	4.9	2.1
Spokane	359	4.5	10.7	11.5	57.6	10.6	3.4	1.7	0
U.S. total	5,795	4.1	10.2	9.7	42.2	18.8	12.0	2.5	.5

51 percent. Percentage of cooperatives with assets amounting to \$25 million and over ranged from less than 1 percent in the Wichita district to almost 7 percent in the Sacramento district.

## Equity Capital

Equity or risk capital provides the necessary element of ownership and control that all business enterprises need. It serves as a buffer for creditors should the business suffer operating losses or experience a shrinkage in asset value.

Combined equity capital of the 5,795 farmer marketing and supply cooperatives at the close of fiscal year 1976 amounted to \$7,727 million. This compares with \$3,950 million in 1970, with \$3,057 million in 1962, and \$1,914 million in 1954. These are all gross figures, since many of the cooperatives had intercooperative investments.

When intercooperative investments were eliminated, as shown in table 18, net equity capital was \$6,141 million for 1976, \$3,154 million for 1970, almost \$2,559 million for 1962, and \$1,636 million for 1954. No capital certificates fixed as to amount and maturity date are included in these equity capital figures. The above equity capital figures resulting from studies for 1962 and 1954 have been adjusted to exclude all maturity-dated certificates issued as a result of patronage and originally classified as equity capital.

Earlier studies showed estimates of farmers' net equities in their marketing and farm supply cooperatives as \$1,148 million in 1949 and \$1,298 million in 1950.

These estimates of farmers' equities in their marketing and farm supply cooperatives do not represent identical associations for each year. Rather, they represent the total equity capital in all marketing and farm supply cooperatives at the time the studies were made. Each year new cooperatives are formed and others disappear as cooperatives go out of business due to consolidations, mergers, or unsuccessful operations. (Livestock shipping associations and county wool pools were excluded from the study for 1976.

These cooperatives have very limited capital requirements and would have minimal effect on the total dollar figures in any year.)

Between 1949 and 1950, farmers' net equities in their marketing and farm supply cooperatives increased by about 13 percent. From 1950 to 1954, using 1950 as a base, they increased by 26 percent, or an average annual increase over the 4-year period of 6.5 percent.

Between 1954 and 1962, using 1954 as a base, farmers' net equities increased by 56 percent, or an average annual increase for the 8-year period of 7 percent.

Between 1962 and 1970, using 1962 as a base, farmers' net equities increased by only 23 percent—an average annual increase of less than 3 percent.

Between 1970 and 1976, using 1970 as a base, farmers' net equities increased by almost 95 percent. This means an average annual increase for the 6-year period of almost 16 percent. During the same 6-year period (1971-76) net assets increased from \$7,681 million to \$16,968 million, an increase of almost 121 percent (table 18). These figures have not been adjusted for inflation during the periods involved.

## **Types and Amounts of Equity Capital**

Types and amounts of equity capital reported by the 5,795 farmer marketing and supply cooperatives at the close of fiscal year 1976 are shown in table 30 by major function of the cooperatives and by federal income tax status. Comparable data are included in table 30 for 7,289 cooperatives for fiscal year 1970, but data on income tax status is not available for 1970.

Over 34 percent of total equity capital in 1976, amounting to \$7.7 billion, was in the form of capital stock—common and preferred. Another 51 percent consisted of certificates of equity and capital credits. Unallocated reserves accounted for the remaining 15 percent of total equity capital.

Some nonstock cooperatives issued membership certificates to qualified farmers to denote membership and voting rights. Less than one-half of 1 percent of total equity capital was in the form of such certificates, however.

Common stock is generally used as the voting or membership stock by cooperatives organized with capital stock. Very definite limitations regarding ownership, transfer, surrender, cancellation, and loss of voting power are usually included in the articles of incorporation and printed on voting stock certificates. This is because ownership and control must remain with farmer members if an association is to qualify as a farmer cooperative under the Capper-Volstead Act and various State cooperative statutes.

Funds derived from sale of voting stock are generally of nominal importance. Therefore, many stock cooperatives issue one or more classes of nonvoting capital stock—either common or preferred—to acquire additional member capital. State cooperative and corporation laws vary, so there is no uniform system of classification. Therefore, nonvoting capital stock classified as common by one cooperative may be essentially the same as that classified as preferred by another.

Qualified and nonqualified certificates of equity and capital credits are defined in appendix B. Capital credits include members' or patrons' equity reserves allocated on the books of the cooperatives without issuance of certificates. However, patrons are notified of their qualified allocated credits and must treat them as income in the year the credits are issued to them.

The relative importance of various types of equity capital used by farmer cooperatives has changed somewhat since 1954 (fig. 4). Over the 23-year period (1954-76) the percentage of total equity capital represented by capital stock dropped from 45 percent to

Table 30—Types and amounts of equity capital outstanding in farmer marketing and supply cooperatives, by major function and income tax status of the cooperatives, at close of fiscal years 1976 and 1970<sup>1</sup>

Major function, year, and income tax status	Cooperatives	Total equity capital	Percentage of total equity capital represented by—					
			Common stock	Preferred stock	Membership certificates (nonstock)	Certificates of equity and capital credits		Unallocated reserves
						Qualified	Nonqualified	
	<i>Number</i>	<i>Million dollars</i>	<i>-----Percent-----</i>					
Farm supply:								
1976 .....	2,164	2,143	21.3	31.7	0.3	28.2	0.8	17.7
Section 521 .....	708	370	10.1	10.8	.3	61.6	2.6	14.6
Nonsection 521 .....	1,456	1,773	23.7	36.0	.2	21.3	.4	18.4
1970 .....	2,315	941	58.2	<sup>2</sup>	<sup>3</sup>	26.3	<sup>3</sup>	15.5
Marketing:								
1976 .....	1,674	2,268	10.0	13.2	.6	67.9	2.4	5.9
Section 521 .....	1,135	1,153	6.2	12.0	.2	76.5	1.4	3.7
Nonsection 521 .....	539	1,115	13.8	14.4	1.0	59.0	3.6	8.2
1970 .....	2,504	1,350	23.4	<sup>2</sup>	<sup>3</sup>	71.1	<sup>3</sup>	5.5
Marketing/supply:								
1976 .....	1,957	3,316	17.4	12.6	.4	49.5	.4	19.7
Section 521 .....	632	752	6.4	10.1	.2	74.6	.2	8.5
Nonsection 521 .....	1,325	2,564	20.6	13.3	.5	42.1	.5	23.0
1970 .....	2,470	1,659	36.6	<sup>2</sup>	<sup>3</sup>	46.1	<sup>3</sup>	17.3
Total:								
1976 .....	5,795	7,727	16.3	18.1	.4	49.0	1.1	15.1
Section 521 .....	2,475	2,275	6.9	11.1	.2	73.5	1.2	7.1
Nonsection 521 .....	3,320	5,452	20.2	20.9	.5	38.8	1.1	18.5
1970 .....	7,289	3,950	37.2	<sup>2</sup>	<sup>3</sup>	49.9	<sup>3</sup>	12.9

<sup>1</sup> Data on income tax status were not collected for fiscal year 1970.

<sup>2</sup> Included with common stock in 1970.

<sup>3</sup> Included with certificates of equity in 1970.

34 percent. The percentage of equity certificates and capital credits increased from 43 percent of total equity capital to over 50 percent. Unallocated reserves represented 15 percent of total equity capital in 1976, up from roughly 12 percent of the total in 1970, 1962, and 1954.

Table 31 lists the number of cooperatives using various types of equity capital in 1976. Almost 73 percent of the 5,795 cooperatives had common stock, 40 percent had preferred stock, less than 7 percent had nonstock membership certificates, 80 percent had qualified allocated equities, 9 percent had nonqualified allocated equities, and 83 percent had some equity represented by unallocated reserves or surplus.

A total of 4,212 cooperatives reported common stock and 393 listed nonstock membership certificates on their balance sheets as evidence of membership in the cooperative. The remaining 1,190 cooperatives used some other type of equity investment or credit as evidence of membership, or a membership certificate which did not require any financial investment.

The 2,475 cooperatives with section 521 tax status had almost \$2.3 billion in combined equity capital in 1976 (table 30). Of this, 18 percent was in the form of capital stock, 7 percent was represented by unallocated reserves, and the remaining 75 percent was represented by various types of equity certificates and credits.

Sixty one percent of the 2,475 cooperatives with section 521 status reported some outstanding common stock, 31 percent reported some preferred stock, less than 8 percent reported nonstock membership certificates, 84 percent reported qualified equity certificates, and 15 percent had outstanding nonqualified equity certificates or credits (table 31). Two-thirds of the section 521 cooperatives had unallocated reserves.

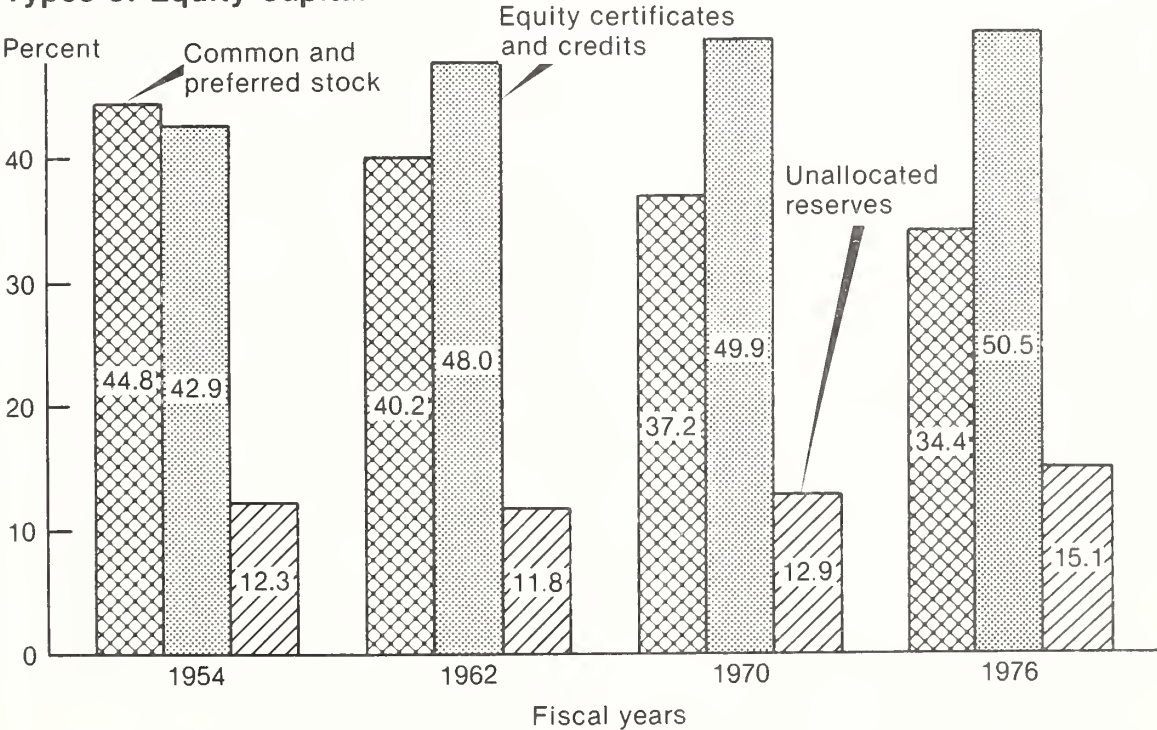
The 3,320 cooperatives without section 521 tax status had total equity capital at the close of the 1976 fiscal year of almost \$5.5 billion (table 30). Of this, 41 percent was capital stock, less than 1 percent was membership certificates, nearly 39 percent was qualified equity certificates or credits, 1 percent was nonqualified equity certificates, and over 18 percent was unallocated reserves.

Table 31 shows that over 80 percent of the 3,320 cooperatives without section 521 status had common stock and 47 percent had preferred stock. Less than 6 percent of the 3,320 cooperatives had nonstock membership certificates. Over 77 percent had qualified equity certificates, compared with less than 5 percent with any nonqualified equity certificates. Nearly 95 percent of the cooperatives without section 521 status had unallocated reserves.

A number of differences in types of equity capital used by cooperatives with section 521 status and those without section 521 status are apparent. The equity capital of the cooperatives operating under section 521 consisted largely of equity certificates and capital credits, whereas the cooperatives not operating under section 521 had a much larger proportion of their equity in the form of capital stock, and their unallocated reserves were much larger. These figures indicate that even though those cooperatives operating under section 521 of the Internal Revenue Code are allowed to exclude from

Figure 4

**Farmer Marketing and Supply Cooperatives  
Types of Equity Capital**



**Table 31—Number of farmer marketing and supply cooperatives with any of specified types of equity capital outstanding, by major function and income tax status of the cooperatives, at close of fiscal year 1976**

Major functions and income tax status	Cooperatives	Cooperatives with any of their equity capital represented by—					
		Common stock	Preferred stock	Membership certificates (nonstock)	Certificates of equity and capital credits		Unallocated reserves
					Qualified	Nonqualified	
-----Number-----							
Farm supply . . . . .	2,164	1,637	971	105	1,592	339	1,954
Section 521 . . . . .	708	440	224	31	601	273	543
Nonsection 521 . . . . .	1,456	1,197	747	74	991	66	1,411
Marketing . . . . .	1,674	978	467	173	1,291	105	1,160
Section 521 . . . . .	1,135	590	284	123	907	65	687
Nonsection 521 . . . . .	539	388	183	50	384	40	473
Marketing/supply . . . . .	1,957	1,597	894	115	1,758	94	1,706
Section 521 . . . . .	632	493	260	40	572	39	441
Nonsection 521 . . . . .	1,325	1,104	634	75	1,186	55	1,265
Total . . . . .	5,795	4,212	2,332	393	4,641	538	4,820
Section 521 . . . . .	2,475	1,523	768	194	2,080	377	1,671
Nonsection 521 . . . . .	3,320	2,689	1,564	199	2,561	161	3,149

their gross income amounts paid as limited dividends on their capital stock, a smaller percentage of the cooperatives with section 521 tax status have outstanding capital stock and a smaller portion of their total equity is represented by capital stock. As indicated in a later section of this report, only a little better than 2 percent of 1976 net savings of cooperatives was used to pay dividends on capital stock or other equity capital.

### Types of Equity Capital by Major Function

The relative importance of various types of equity capital varied considerably when the cooperatives were classified by major function (tables 30 and 31).

Fifty-three percent of the equity capital of the 2,164 farm supply cooperatives was in the form of capital stock in 1976, whereas capital stock of the 1,674 marketing cooperatives amounted to only 23 percent of their total equity. The 1,957 cooperatives classified as marketing/farm supply had capital stock amounting to 30 percent of their total equity capital.

Equity certificates and allocated capital credits, on the other hand, accounted for 29 percent of total equity capital of the farm supply cooperatives and 70 percent of total equity of the marketing group. They accounted for 50 percent of total equity of the marketing/farm supply cooperatives.

Unallocated reserves accounted for almost 18 percent of the total equity capital of the farm supply cooperatives, less than 6 percent of that of the marketing associations, and almost 20 percent of that of the marketing/farm supply group.

Three-fourths of the 2,164 farm supply cooperatives had some common stock and 45 percent had some preferred stock in 1976 (table 31). Less than 5 percent had nonstock membership certificates. Qualified equity certificates and credits were reported by 73 percent of the cooperatives and some nonqualified certificates by 16 percent. Ninety percent of the cooperatives had unallocated reserves.

Over 58 percent of the 1,674 marketing cooperatives had common stock and 28 percent had preferred stock in 1976. Ten percent had nonstock membership certificates.

Qualified equity certificates were reported by 77 percent of the cooperatives and non-qualified equity certificates by only 6 percent. Unallocated reserves were reported by 69 percent of the 1,674 cooperatives.

Nearly 82 percent of the 1,957 combination marketing/farm supply cooperatives had common stock and almost 46 percent had preferred stock. Nonstock membership certificates were reported by less than 6 percent of the 1,957 cooperatives. Nearly 90 percent reported qualified certificates of equity and less than 5 percent reported nonqualified equity paper. About 87 percent reported unallocated reserves.

Tables 30 and 31 also show types and amounts of equity capital outstanding at the close of fiscal year 1976 based on income tax status and major function of the cooperatives. Comparable data, based on number of cooperatives with each type of equity, are shown in table 31.

### **Types of Equity Capital by Principal Products Marketed**

The relative importance of the various types of equity capital used by cooperatives handling various farm products is shown in table 32 based on percentage of total equity capital, and in table 33 based on number of cooperatives using each type of equity capital.

Common and preferred stock accounted for a much greater percentage of total equity capital of the highly diversified cooperatives and for those marketing rice, grain, and sugar products in 1976 than for those marketing poultry, dairy products, fruits and vegetables, and livestock and wool (table 32).

Unallocated reserves (tax-paid surplus) as a percentage of total equity capital for the 3,631 marketing and marketing/farm supply cooperatives in 1976 varied all the way from a negative balance (deficit) for cooperatives marketing dairy products to a high of almost 38 percent for the livestock and wool cooperatives. As indicated earlier, a majority of the livestock and wool cooperatives are relatively small and operate with very little capital.

Of the major groups of marketing cooperatives—cotton, dairy, fruits and vegetables, and grain—only the grain cooperatives had any substantial amount of their equity capital not allocated to members in 1976. Unallocated reserves of the grain cooperatives amounted to nearly 20 percent of their total equity capital, compared with only 2 percent or less for the cotton, dairy, and fruit and vegetable cooperatives.

Cooperatives included in the diversified and the other products classifications shown in table 32 had relatively high percentages of unallocated reserves. Combined equity capital for these two groups was \$998 million in 1976. Almost \$928 million of this amount was reported by 13 of the 100 largest cooperatives (section II).

The number of marketing and marketing/farm supply cooperatives operating with section 521 tax status in 1976 and the number without section 521 status are shown in tables 32 and 33 by major commodities.

Of the 3,631 cooperatives, 2,074 were engaged in grain marketing in 1976 (table 32). Of the 2,074 grain cooperatives, over two-thirds were not operating under section 521. Capital stock accounted for 34 percent of the total equity capital of these 1,439 grain cooperatives without section 521 status, compared with 22 percent for the 635 grain cooperatives with section 521 tax status. Unallocated reserves also represented a higher percentage of total equity capital for the grain cooperatives not operating under section 521 than for those that were—over 21 percent compared with 12 percent.

The 14 diversified cooperatives with section 521 tax status had only 8 percent of their total equity capital in the form of capital stock, compared with 47 percent in capital

Table 32—Types and amounts of equity capital outstanding in farmer marketing and marketing/supply cooperatives, by principal product marketed and income tax status of the cooperatives, at close of fiscal years 1976 and 1970<sup>1</sup>

Principal product, year, and income tax status	Cooper- atives	Total equity capital	Percent of total equity capital represented by—					
			Common stock	Preferred stock	Membership certificates	Certificates of equity and capital credits		Unallo- cated reserves
						Qual- ified	Nonqual- ified	
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>					
Diversified:								
1976 .....	28	910	30.9	6.9	<sup>2</sup>	39.4	<sup>2</sup>	22.8
Section 521 .....	14	212	2.1	6.3	<sup>2</sup>	86.6	0	5.0
Nonsection 621 .....	14	698	39.7	7.0	<sup>2</sup>	25.0	.1	28.2
1970 .....	78	542	36.4	<sup>3</sup>	<sup>4</sup>	41.8	<sup>4</sup>	21.8
Cotton and products:								
1976 .....	401	264	2.6	20.6	.8	72.7	2.2	1.1
Section 521 .....	296	213	1.2	20.9	1.0	69.0	2.5	5.4
Nonsection 521 .....	105	51	8.1	19.2	0	88.4	1.2	(16.9)
1970 .....	526	191	39.5	<sup>3</sup>	<sup>4</sup>	58.4	<sup>4</sup>	2.1
Dairy products:								
1976 .....	459	583	2.7	7.8	1.2	89.6	.8	(2.1)
Section 521 .....	386	302	2.8	8.2	.1	95.9	.4	(7.4)
Nonsection 521 .....	73	281	2.5	7.2	2.5	82.9	1.3	3.6
1970 .....	826	535	14.2	<sup>3</sup>	<sup>4</sup>	83.1	<sup>4</sup>	2.7
Fruits and vegetables:								
1976 .....	364	581	6.3	4.4	.3	80.8	5.7	2.5
Section 521 .....	242	350	6.8	5.4	.1	81.8	2.1	3.8
Nonsection 521 .....	122	231	5.6	2.8	.6	79.4	11.2	.4
1970 .....	475	371	16.4	<sup>3</sup>	<sup>4</sup>	82.5	<sup>4</sup>	1.1
Grains, soybeans, and products:								
1976 .....	2,074	2,682	15.4	16.5	.4	47.8	.3	19.6
Section 521 .....	635	538	8.6	13.9	.1	65.1	.2	12.1
Nonsection 521 .....	1,439	2,144	17.1	17.1	.5	43.5	.3	21.5
1970 .....	2,221	1,087	40.2	<sup>3</sup>	<sup>4</sup>	42.7	<sup>4</sup>	17.1
Livestock and wool: <sup>5</sup>								
1976 .....	97	57	3.7	9.0	3.3	44.3	1.8	37.9
Section 521 .....	67	28	5.1	9.2	3.8	44.5	1.6	35.8
Nonsection 521 .....	30	29	2.4	8.8	2.8	44.1	1.9	40.0
1970 .....	514	33	12.7	<sup>3</sup>	<sup>4</sup>	44.7	<sup>4</sup>	42.6
Poultry products:								
1976 .....	37	82	1.3	4.0	.1	88.8	1.5	4.3
Section 521 .....	15	37	1.7	3.7	<sup>2</sup>	94.2	0	.4
Nonsection 521 .....	22	45	1.1	4.2	.1	84.3	2.8	7.5
1970 .....	74	50	3.8	<sup>3</sup>	<sup>4</sup>	98.0	<sup>4</sup>	(1.8)
Rice:								
1976 .....	50	28	14.9	34.6	<sup>2</sup>	49.0	.8	.7
Section 521 .....	38	82	15.9	32.4	0	51.2	.2	.3
Nonsection 521 .....	12	6	.2	63.3	.1	20.3	9.9	6.2
1970 .....	54	66	39.9	<sup>3</sup>	<sup>4</sup>	59.7	<sup>4</sup>	.4

(Continued)

Table 32—Types and amounts of equity capital outstanding in farmer marketing and marketing/supply cooperatives, by principal product marketed and income tax status of the cooperatives, at close of fiscal years 1976 and 1970—*Continued*

Principal product, year, and income tax status	Cooper- atives	Total equity capital	Percent of total equity capital represented by—					
			Common stock	Preferred stock	Membership certificates	Certificates of equity and capital credits		Unallo- cated reserves
						Qual- ified	Nonqual- ified	
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>					
Sugar products:								
1976 . . . . .	46	249	12.1	18.5	<sup>2</sup>	58.9	5.2	5.3
Section 521 . . . . .	29	79	22.6	5.5	<sup>2</sup>	54.8	1.3	15.8
Nonsection 521 . . . . .	17	170	7.2	24.6	0	60.9	7.0	.3
1970 <sup>6</sup> . . . . .								
Other products: <sup>7</sup>								
1976 . . . . .	75	88	4.2	2.8	2.3	78.1	.7	11.9
Section 521 . . . . .	45	64	2.1	2.9	.4	84.8	.1	9.7
Nonsection 521 . . . . .	30	24	9.5	2.5	7.2	60.7	2.5	17.6
1970 . . . . .	206	134	32.9	<sup>3</sup>	<sup>4</sup>	50.8	<sup>4</sup>	16.3
Total:								
1976 . . . . .	3,631	5,584	14.4	12.8	.5	57.0	1.2	14.1
Section 521 . . . . .	1,767	1,905	6.3	11.2	.2	75.8	.9	5.6
Nonsection 521 . . . . .	1,864	3,679	18.6	13.7	.6	47.2	1.4	18.5
1970 . . . . .	4,974	3,009	30.7	<sup>3</sup>	<sup>4</sup>	57.3	<sup>4</sup>	12.0

<sup>1</sup> Data on income tax status were not collected for fiscal year 1970.

<sup>2</sup> Less than 0.05 percent.

<sup>3</sup> Included with common stock in 1970.

<sup>4</sup> Included with qualified certificates of equity and credits in 1970.

<sup>5</sup> Excluded livestock shipping associations and county wool pools in 1976.

<sup>6</sup> Data included with other products in 1970.

<sup>7</sup> Includes cooperatives handling the following products in 1976: 12 dry beans and peas, 17 nuts, 18 tobacco, and 28 special crops and miscellaneous products. For 1970, includes: 63 sugar (including 43 sugar beet bargaining), 28 tobacco, 17 nuts, 13 dry beans and peas, and 85 miscellaneous products.

stock for the 14 diversified cooperatives without 521 status. Eleven of the 28 diversified cooperatives were in the 100 largest group (section II) in 1976 and these 11 accounted for 97 percent of the total equity of the 28 diversified cooperatives.

## Types of Equity Capital by Farm Credit Districts

Amounts and types of equity capital reported by cooperatives for fiscal year 1976 are shown by farm credit districts in tables 34 and 35. Table 34 provides percentages of total equity capital represented by specific types for 1976 and for 1970. Table 35 shows the number of cooperatives reporting any equity capital of each type for 1976. Data for 1976 are shown separately in both tables by income tax status of the cooperatives. Number of cooperatives using each type of equity capital is shown for 1976 only, since comparable data are not available for 1970.

Relative use of the various types of equity capital varied considerably by districts. However, location of headquarters of the 100 largest cooperatives was a major factor in the percentages of capital, by types, shown for each district. These 100 cooperatives accounted for 45 percent of total equity capital in 1976 and for 43 percent in 1970. The figures for one or several cooperatives were very significant in some farm credit districts (section II).

Table 33—Number of farmer marketing and marketing/supply cooperatives with any of specified types of equity capital outstanding, by principal product marketed and income tax status of the cooperatives, at close of fiscal year 1976

Principal product and income tax status	Cooperatives	Cooperatives with any of their equity capital represented by—					
		Common stock	Preferred stock	Membership certificates (nonstock)	Certificates of equity and capital credits		Unallocated reserves
					Qualified	Nonqualified	
-----Number-----							
Diversified . . . . .	28	21	15	4	24	1	20
Section 521 . . . . .	14	10	8	3	13	0	8
Nonsection 521 . . . . .	14	11	7	1	11	1	12
Cotton and products . . . . .	401	315	157	38	318	18	237
Section 521 . . . . .	296	216	114	38	233	9	138
Nonsection 521 . . . . .	105	99	43	0	85	9	99
Dairy products . . . . .	459	281	101	38	396	7	276
Section 521 . . . . .	386	242	88	31	340	3	216
Nonsection 521 . . . . .	73	39	13	7	56	4	60
Fruits and vegetables . . . . .	364	144	54	57	291	44	243
Section 521 . . . . .	242	75	24	39	210	24	143
Nonsection 521 . . . . .	122	69	30	18	81	20	100
Grains, soybeans, and products .	2,074	1,688	943	106	1,836	108	1,871
Section 521 . . . . .	635	482	267	30	576	60	499
Nonsection 521 . . . . .	1,439	1,206	676	76	1,260	48	1,372
Livestock and wool . . . . .	97	32	19	10	34	6	80
Section 521 . . . . .	67	16	8	4	22	5	54
Nonsection 521 . . . . .	30	16	11	6	12	1	26
Poultry products . . . . .	37	24	14	7	31	1	29
Section 521 . . . . .	15	8	4	1	12	0	8
Nonsection 521 . . . . .	22	16	10	6	19	1	21
Rice . . . . .	50	27	27	1	40	2	20
Section 521 . . . . .	38	16	16	0	34	1	9
Nonsection 521 . . . . .	12	11	11	1	6	1	11
Sugar . . . . .	46	15	7	1	22	6	39
Section 521 . . . . .	29	4	2	1	6	1	27
Nonsection 521 . . . . .	17	11	5	0	16	5	12
Other products <sup>1</sup> . . . . .	75	28	24	26	57	6	51
Section 521 . . . . .	45	14	13	16	35	1	26
Nonsection 521 . . . . .	30	14	11	10	22	5	25
Total . . . . .	3,631	2,575	1,361	288	3,049	199	2,866
Section 521 . . . . .	1,767	1,083	544	163	1,481	104	1,128
Nonsection 521 . . . . .	1,864	1,492	817	125	1,568	95	1,738

<sup>1</sup> Includes cooperatives handling the following products: 12 dry beans and peas, 17 nuts, 18 tobacco, and 28 special crops and miscellaneous products.

Capital stock ranged from lows of 8 and 10 percent of total equity capital of the cooperatives headquartered in the Sacramento and Columbia districts, respectively, to a high of 57 percent for those in the St. Louis district.

Other farm credit districts with high percentages of equity capital represented by

Table 34—Types and amounts of equity capital outstanding in farmer marketing and supply cooperatives, by farm credit districts and income tax status of the cooperatives, at close of fiscal years 1976 and 1970<sup>1</sup>

Farm credit district, year, and income tax status	Cooper- atives	Total equity capital	Percentage of total equity capital represented by—					
			Common stock	Preferred stock	Membership certificates	Certificates of equity and capital credits		Unallo- cated reserves
						Qual- ified	Nonqual- ified	
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>					
Springfield:								
1976 . . . . .	278	316	8.5	17.5	0.1	21.6	0.6	51.7
Section 521 . . . . .	107	77	29.1	15.3	.4	73.3	1.9	(20.0)
Nonsection 521 . . . . .	171	239	2.0	18.2	0	5.0	.1	74.7
1970 . . . . .	388	221	28.9	<sup>2</sup>	<sup>3</sup>	24.1	<sup>3</sup>	47.0
Baltimore:								
1976 . . . . .	208	236	12.0	17.2	.2	47.6	3.0	20.0
Section 521 . . . . .	144	105	10.3	22.7	.3	60.7	1.5	4.5
Nonsection 521 . . . . .	64	131	13.3	12.8	0	37.2	4.3	32.4
1970 . . . . .	343	157	47.3	<sup>2</sup>	<sup>3</sup>	39.9	<sup>3</sup>	12.8
Columbia:								
1976 . . . . .	204	422	5.8	4.3	<sup>4</sup>	78.0	4.8	7.1
Section 521 . . . . .	129	230	1.5	4.3	.1	85.8	1.0	7.3
Nonsection 521 . . . . .	75	192	11.0	4.2	<sup>4</sup>	68.7	9.2	6.9
1970 . . . . .	209	221	20.2	<sup>2</sup>	<sup>3</sup>	76.6	<sup>3</sup>	3.2
Louisville:								
1976 . . . . .	452	606	19.0	23.0	.1	34.5	.8	22.6
Section 521 . . . . .	251	227	8.1	14.9	.2	51.1	1.7	24.0
Nonsection 521 . . . . .	201	379	25.4	27.8	<sup>4</sup>	24.6	.4	21.8
1970 . . . . .	532	291	66.2	<sup>2</sup>	<sup>3</sup>	29.7	<sup>3</sup>	4.1
New Orleans:								
1976 . . . . .	272	345	33.4	6.8	.3	48.5	2.6	8.4
Section 521 . . . . .	181	146	2.1	10.4	.5	77.4	1.3	8.3
Nonsection 521 . . . . .	91	199	56.2	4.1	.1	27.5	3.6	8.5
1970 . . . . .	269	159	53.6	<sup>2</sup>	<sup>3</sup>	42.9	<sup>3</sup>	3.5
St. Louis:								
1976 . . . . .	490	1,287	21.8	35.3	.1	22.8	.2	19.8
Section 521 . . . . .	150	137	1.7	24.6	<sup>4</sup>	60.6	.3	12.8
Nonsection 521 . . . . .	340	1,150	24.2	36.5	.1	18.3	.2	20.7
1970 . . . . .	593	508	45.8	<sup>2</sup>	<sup>3</sup>	35.9	<sup>3</sup>	18.3
St. Paul:								
1976 . . . . .	1,474	1,580	14.0	20.7	.1	56.9	.1	8.2
Section 521 . . . . .	611	371	6.9	6.1	<sup>4</sup>	81.9	.1	5.0
Nonsection 521 . . . . .	863	1,209	16.1	25.2	.1	49.2	.2	9.2
1970 . . . . .	1,998	882	35.5	<sup>2</sup>	<sup>3</sup>	60.8	<sup>3</sup>	3.7
Omaha:								
1976 . . . . .	930	923	12.2	9.6	.4	57.5	.4	19.9
Section 521 . . . . .	219	200	14.7	5.2	<sup>4</sup>	65.7	.9	13.5
Nonsection 521 . . . . .	711	723	11.5	10.9	.4	55.2	.3	21.7
1970 . . . . .	1,094	393	21.2	<sup>2</sup>	<sup>3</sup>	58.4	<sup>3</sup>	20.4

(Continued)

Table 34—Types and amounts of equity capital outstanding in farmer marketing and supply cooperatives, by farm credit districts and income tax status of the cooperatives, at close of fiscal years 1976 and 1970—*Continued*

Farm credit district, year, and income tax status	Cooper- atives	Total equity capital	Percentage of total equity capital represented by—					
			Common stock	Preferred stock	Membership certificates	Certificates of equity and capital credits		Unallo- cated reserves
						Qual- ified	Nonqual- ified	
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>					
Wichita:								
1976 . . . . .	473	639	39.3	10.1	1.7	26.8	.6	21.5
Section 521 . . . . .	60	29	14.4	9.9	7.2	48.3	1.8	18.4
Nonsection 521 . . . . .	413	610	40.5	10.1	1.5	25.8	.5	21.6
1970 . . . . .	552	301	53.5	<sup>2</sup>	<sup>3</sup>	23.2	<sup>3</sup>	23.3
Houston:								
1976 . . . . .	368	379	1.6	37.2	<sup>4</sup>	59.8	1.3	.1
Section 521 . . . . .	256	212	1.9	36.7	<sup>4</sup>	56.9	2.3	2.2
Nonsection 521 . . . . .	112	167	1.2	37.7	<sup>4</sup>	63.6	.1	(2.6)
1970 . . . . .	479	228	40.7	<sup>2</sup>	<sup>3</sup>	55.8	<sup>3</sup>	3.5
Sacramento:								
1976 . . . . .	287	654	6.9	1.2	1.3	85.2	3.1	2.3
Section 521 . . . . .	227	411	7.1	1.8	.1	88.5	1.3	1.2
Nonsection 521 . . . . .	60	243	6.6	.4	3.4	79.5	6.0	4.1
1970 . . . . .	368	408	10.9	<sup>2</sup>	<sup>3</sup>	80.1	<sup>3</sup>	9.0
Spokane:								
1976 . . . . .	359	340	10.3	10.2	1.6	65.0	1.4	11.5
Section 521 . . . . .	140	130	3.6	2.9	.7	83.3	1.7	7.8
Nonsection 521 . . . . .	219	210	14.4	14.8	2.2	53.7	1.1	13.8
1970 . . . . .	464	181	16.4	<sup>2</sup>	<sup>3</sup>	85.6	<sup>3</sup>	(2.0)
U.S. total:								
1976 . . . . .	5,795	7,727	16.3	18.1	.4	49.0	1.1	15.1
Section 521 . . . . .	2,475	2,275	6.9	11.1	.2	73.5	1.2	7.1
Nonsection 521 . . . . .	3,320	5,452	20.2	20.9	.5	38.8	1.1	18.5
1970 . . . . .	7,289	3,950	37.2	<sup>2</sup>	<sup>3</sup>	49.9	<sup>3</sup>	12.9

<sup>1</sup> Data on income tax status were not collected for fiscal year 1970.

<sup>2</sup> Included with common stock in 1970.

<sup>3</sup> Included with certificates of equity in 1970; qualified and nonqualified paper was not reported separately.

<sup>4</sup> Less than 0.05 percent.

capital stock were the Wichita district with 49 percent, the Louisville district with 42 percent, and the New Orleans and Houston districts with 40 and 39 percent, respectively.

The balance sheets of 73 percent of the 5,795 cooperatives listed some common stock in 1976. Districts with a relatively high percentage of cooperatives reporting common stock were Louisville, Wichita, Houston, Omaha, and St. Paul. Districts with a relatively low percentage of cooperatives with any common stock were Sacramento, St. Louis, and Columbia.

Forty percent of all 5,795 cooperatives had outstanding preferred stock in 1976. Districts with a relatively high percentage of cooperatives reporting any preferred stock were Louisville, Springfield, Houston, and St. Louis. Districts with a relatively low percentage of cooperatives with any preferred stock were Sacramento, Columbia, and Spokane.

Table 35—Number of farmer marketing and supply cooperatives with any of the specified types of equity capital outstanding, by farm credit districts and income tax status of the cooperatives, close of fiscal year 1976

Farm credit district and income tax status	Cooperatives	Cooperatives with any of their equity capital represented by—					
		Common stock	Preferred stock	Membership certificates (nonstock)	Certificates of equity and capital credits		Unallocated reserves
					Qualified	Nonqualified	
----- <i>Number</i> -----							
Springfield . . . . .	278	201	159	7	84	6	233
Section 521 . . . . .	107	39	13	7	74	3	64
Nonsection 521 . . . . .	171	162	146	0	10	3	169
Baltimore . . . . .	208	157	68	7	149	71	168
Section 521 . . . . .	144	102	34	7	115	59	109
Nonsection 521 . . . . .	64	55	34	0	34	12	59
Columbia . . . . .	204	84	32	7	172	73	105
Section 521 . . . . .	129	29	16	5	116	55	42
Nonsection 521 . . . . .	75	55	16	2	56	18	63
Louisville . . . . .	452	407	348	12	379	127	425
Section 521 . . . . .	251	218	191	6	214	105	233
Nonsection 521 . . . . .	201	189	157	6	165	22	192
New Orleans . . . . .	272	146	83	11	225	82	210
Section 521 . . . . .	181	67	45	7	161	65	137
Nonsection 521 . . . . .	91	79	38	4	64	17	73
St. Louis . . . . .	490	165	253	28	323	33	448
Section 521 . . . . .	150	40	67	10	94	7	117
Nonsection 521 . . . . .	340	125	186	18	229	26	331
St. Paul . . . . .	1,474	1,239	540	25	1,241	51	1,208
Section 521 . . . . .	611	488	191	14	547	31	400
Nonsection 521 . . . . .	863	751	349	11	694	20	808
Omaha . . . . .	930	797	360	67	880	29	909
Section 521 . . . . .	219	185	46	15	192	16	210
Nonsection 521 . . . . .	711	612	314	52	688	13	699
Wichita . . . . .	473	414	177	52	430	5	465
Section 521 . . . . .	60	43	14	11	53	1	54
Nonsection 521 . . . . .	413	371	163	41	377	4	411
Houston . . . . .	368	320	202	8	252	10	201
Section 521 . . . . .	256	218	130	7	191	7	104
Nonsection 521 . . . . .	112	102	72	1	61	3	97
Sacramento . . . . .	287	32	20	100	262	22	140
Section 521 . . . . .	227	11	6	82	214	19	91
Nonsection 521 . . . . .	60	21	14	18	48	3	49
Spokane . . . . .	359	250	90	69	244	29	308
Section 521 . . . . .	140	83	15	23	109	9	110
Nonsection 521 . . . . .	219	167	75	46	135	20	198
U.S. total . . . . .	5,795	4,212	2,332	393	4,641	538	4,820
Section 521 . . . . .	2,475	1,523	768	194	2,080	377	1,671
Nonsection 521 . . . . .	3,320	2,689	1,564	199	2,561	161	3,149

Cooperatives with a relatively large percentage of their total equity capital in the form of capital stock obviously had a much smaller percentage represented by equity certificates and allocated capital credits.

Unallocated reserves ranged from 0.1 percent of total equity capital in 1976 for cooperatives in the Houston district to nearly 52 percent for those in the Springfield district. The percentage for all cooperatives was 15 percent in 1976, compared with 13 percent in 1970. Other farm credit districts with relatively high percentages of unallocated equity capital in 1976 were the Louisville district with nearly 23 percent, the Wichita district with over 21 percent, and the Baltimore, Omaha, and St. Louis districts with 20 percent each. Cooperatives located in the Sacramento district had only 2 percent of their total equity capital in unallocated accounts and those in the Columbia district only 7 percent.

### **Methods of Acquiring Equity Capital**

Members and patrons provide the equity or risk capital for their cooperatives in three ways.

- They purchase capital stock or other securities.
- They capitalize or reinvest a portion of the net savings or margins.
- They provide capital through deductions from sales proceeds in the form of per unit capital retains.

An individual cooperative may use one, all, or any combination of these methods.

Savings left in the business as additions to capital are mainly retained or deferred patronage refunds. Some cooperatives return these to member-patrons on a revolving capital basis; some do not have a systematic plan of redeeming them but rely on the decision of the board of directors.

Per unit capital retains are those equity investments made by member-patrons in compliance with a bylaw provision or membership agreement. The agreement authorizes the cooperative to make a specified deduction for capital purposes from advances to patrons based on physical units handled (bushel, hundredweight, dozen) or on a percentage of sales returns.

Total allocated equity capital of \$6,560 million remained at the close of fiscal year 1976 after total unallocated reserves of \$1,167 million (primarily undistributed net savings or net margins) were subtracted from total equity capital of the 5,795 farmer cooperatives. This amount represented the total equity capital that had been purchased by or allocated to members and patrons. Amounts and percentages of this allocated equity capital acquired by each of the three methods listed above are shown in table 36 for all the cooperatives, by major function. Numbers of cooperatives reporting any capital acquired by each method, by major function, are shown in table 37.

Over 77 percent of the total allocated equity capital reported by the 5,795 cooperatives in 1976 was acquired by retention of patronage refunds for payment at some future date. Twelve percent represented patron contributions by per unit capital retains from sales proceeds, and the other 11 percent was purchased outright by members, patrons, and occasionally others.

Comparable data for 7,289 cooperatives in 1970 (table 36) showed that of total allocated equity capital outstanding of \$3,441 million, almost 71 percent was acquired by retention of patronage refunds, almost 15 percent by per unit capital retains, and the other 14 percent was purchased outright.

Only 5 percent of the 5,795 cooperatives operating in 1976 reported that any of

Table 36—Methods used to acquire the outstanding allocated equity capital of farmer marketing and supply cooperatives, by major function and income tax status of the cooperatives, at close of fiscal years 1976 and 1970<sup>1</sup>

Major function, year, and income tax status	Cooper- atives	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>		
Farm supply:					
1976 .....	2,164	1,764	16.0	83.7	0.3
Section 521 .....	708	316	13.1	86.9	<sup>2</sup>
Nonsection 521 .....	1,456	1,448	16.6	83.0	.4
1970 .....	2,315	794	22.3	77.5	.2
Marketing:					
1976 .....	1,674	2,135	9.8	54.2	36.0
Section 521 .....	1,135	1,110	7.6	47.4	45.0
Nonsection 521 .....	539	1,025	12.2	61.5	26.3
1970 .....	2,504	1,275	8.3	55.8	35.9
Marketing/supply:					
1976 .....	1,957	2,661	8.0	91.0	1.0
Section 521 .....	632	688	6.3	93.3	.4
Nonsection 521 .....	1,325	1,973	8.0	91.0	1.0
1970 .....	2,470	1,372	15.8	81.1	3.1
Total:					
1976 .....	5,795	6,560	10.7	77.1	12.2
Section 521 .....	2,475	2,114	10.1	65.4	24.5
Nonsection 521 .....	3,320	4,446	11.0	82.6	6.4
1970 .....	7,289	3,441	14.5	70.9	14.6

<sup>1</sup> Data on income tax status were not collected for 1970.

<sup>2</sup> Less than 0.05 percent.

Table 37—Number of farmer marketing and supply cooperatives with any outstanding allocated equity capital acquired by specified methods, by major function and income tax status of the cooperatives, at close of fiscal year 1976

Major function and income tax status	Cooperatives	Cooperatives with any allocated equity capital acquired by—		
		Purchase	Patronage refunds retained	Per unit capital retains
<i>Number</i>				
Farm supply . . . . .	2,164	1,244	1,898	5
Section 521 . . . . .	708	457	662	1
Nonsection 521 . . . . .	1,456	787	1,236	4
Marketing . . . . .	1,674	921	1,328	260
Section 521 . . . . .	1,135	567	899	191
Nonsection 521 . . . . .	539	354	429	69
Marketing/supply . . . . .	1,957	1,035	1,906	41
Section 521 . . . . .	632	410	614	27
Nonsection 521 . . . . .	1,325	625	1,292	14
Total . . . . .	5,795	3,200	5,132	306
Section 521 . . . . .	2,475	1,434	2,175	219
Nonsection 521 . . . . .	3,320	1,766	2,957	87

their allocated equity capital outstanding was acquired through the per unit retain route. Over 88 percent of the cooperatives had acquired some equity by retaining a portion of net savings or margins, and 55 percent had sold some of the outstanding membership certificates, stock, or other equity paper. A few cooperatives have sold nonvoting common or preferred stock or equity certificates to members, patrons, and others over the years. However, most of the 3,200 cooperatives reporting that any of their equity capital was purchased outright indicated that primarily nonstock membership certificates or only one or a few shares of voting capital stock were sold to members when they joined the cooperative. The balance of the members' equity capital was acquired by reinvestment of patronage refunds or per unit capital retains. Some cooperatives that offered nonvoting stock or other types of nonpatronage paper for sale to members and others in earlier years have discontinued all sales of such paper in more recent years and are presently issuing only patronage paper. About 60 percent of the \$700 million in total equity capital outstanding in 1976 that had been sold, was sold by the 100 largest cooperatives (see section 11).

Also, some cooperatives are organized as federated regionals and interregionals, and in some cases, all or a major portion of their allocated equity capital consists of shares of stock or other equity paper that was purchased by member cooperatives only, and was purchased on the basis of patronage or potential patronage of each member-patron. Comparatively few farmer marketing and supply cooperatives are currently selling stock or other equity (or debt) paper to nonmembers.

The importance of each method used to acquire equity capital varied according to major function, commodity handled, geographic location, and types of equity used. Tables 38 and 39 show how common and preferred stock, membership certificates, and qualified and nonqualified equity certificates and credits outstanding in 1976 were acquired.

*Common Stock*—Of the 5,795 cooperatives, 4,212 had some common stock outstanding in 1976. Some of this stock was sold by 2,741 of the cooperatives, some was acquired by retaining patronage refunds by 2,135 of the cooperatives, and some was acquired by per unit capital retains by 16 of the cooperatives.

Total allocated equity capital represented by common stock of the 4,212 cooperatives amounted to \$1,261 million in 1976. Over 78 percent of this amount was acquired through retention of patronage refunds, over 19 percent was purchased, and less than 3 percent was acquired through the per unit capital retain route.

*Preferred Stock*—At the close of fiscal year 1976, 2,332 cooperatives had outstanding preferred stock listed on their balance sheets; 1,393 cooperatives sold some of this stock; 1,122 issued some as evidence of retained patronage refunds; and 20 issued some as evidence of per unit capital retains.

Total preferred stock outstanding in 1976 amounted to \$1,395 million. Nearly 74 percent represented retained patronage refunds, almost 25 percent was sold, and the balance of 1.4 percent was acquired as per unit capital retains.

*Qualified Equity Certificates and Credits*—Eighty percent, or 4,641 of the 5,795 cooperatives had some type of nonstock qualified equity certificate or credit listed on their balance sheets at the close of fiscal year 1976. In 4,460 of these cooperatives some of this equity capital resulted from allocated patronage refunds, 141 cooperatives had sold some, and 275 cooperatives had issued some as evidence of per unit capital retains.

Nearly 58 percent, or \$3,786 million, of total allocated equity capital outstanding in 1976 was in the form of qualified equity certificates or credits. Over 78 percent of this

Table 38—Methods used by 5,795 farmer marketing and supply cooperatives, by major function of the cooperatives, to acquire the various types of allocated equity capital outstanding at close of fiscal year 1976

Major function and type of equity capital	Cooperatives <sup>1</sup>	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>		
Farm supply . . . . .	2,164	1,764	16.0	83.7	0.3
Common stock . . . . .	1,637	457	32.6	67.4	0
Preferred stock . . . . .	971	679	16.8	83.2	0
Membership certificates . . . . .	105	6	34.6	65.4	0
Qualified certificates and credits . . . . .	1,592	605	2.8	96.2	1.0
Nonqualified certificates and credits . . . . .	339	17	0	100.0	0
Marketing . . . . .	1,674	2,135	9.8	54.2	36.0
Common stock . . . . .	978	226	27.5	58.7	13.8
Preferred stock . . . . .	467	299	34.4	59.2	6.4
Membership certificates . . . . .	173	14	71.4	28.6	0
Qualified certificates and credits . . . . .	1,291	1,540	2.2	52.9	44.9
Nonqualified certificates and credits . . . . .	105	56	0	51.8	48.2
Marketing/supply . . . . .	1,957	2,661	8.0	91.0	1.0
Common stock . . . . .	1,597	578	5.7	94.1	.2
Preferred stock . . . . .	894	417	30.9	69.1	2
Membership certificates . . . . .	115	13	23.1	76.9	0
Qualified certificates and credits . . . . .	1,758	1,641	3.0	95.5	1.5
Nonqualified certificates and credits . . . . .	94	12	0	91.7	8.3
All cooperatives . . . . .	5,795	6,560	10.7	77.1	12.2
Common stock . . . . .	4,212	1,261	19.4	78.1	2.5
Preferred stock . . . . .	2,332	1,395	24.8	73.8	1.4
Membership certificates . . . . .	393	33	45.5	54.5	0
Qualified certificates and credits . . . . .	4,641	3,786	2.6	78.3	19.1
Nonqualified certificates and credits . . . . .	538	85	0	67.1	32.9

<sup>1</sup> Numbers do not add to totals because most cooperatives have more than one type of allocated equity capital.

<sup>2</sup> Less than 0.05 percent.

equity capital represented retained patronage refunds, 19 percent represented per unit capital retains, and less than 3 percent represented equity paper that had been sold.

*Nonqualified Equity Certificates and Credits*—Only 538 cooperatives listed nonqualified equity certificates or credits on their balance sheets at the close of fiscal year 1976. Equity of this type was reported primarily by cooperatives that did not use the bylaw consent method to get patron consent to take into account the total amount of their patronage refunds in determining their taxable income.<sup>4</sup> However, some cooperatives do issue nonqualified equity paper to patrons for other reasons. Only 17 of the cooperatives issued nonqualified paper as evidence of per unit capital retains, compared with 522 that issued it as evidence of allocated patronage refunds.

Nonqualified equity certificates and credits amounted to only 1.3 percent of the total allocated equity capital outstanding in 1976. Of the \$85 million total, two-thirds was acquired through retention of patronage refunds and the other one-third through per unit capital retains.

Tables 36 and 37 also show how allocated equity capital outstanding in 1976 was acquired by the 5,795 cooperatives based on their income tax status. The percentage of

<sup>4</sup>Morrison Neely, *Legal Phases of Farmer Cooperatives, Part II, Federal Income Taxes*, Inf. 100, Farm. Coop. Serv., U.S. Dept. Agr., May 1976. This bulletin discusses in depth the Federal income tax treatment of farmer cooperatives and their patrons.

**Table 39—Number of farmer marketing and supply cooperatives that used specified methods to acquire various types of equity capital outstanding, by major function of the cooperatives, at close of fiscal year 1976<sup>1</sup>**

Major function and type of equity capital	Cooperatives	Cooperatives acquiring any of their allocated equity capital by—		
		Purchase	Patronage refunds retained	Per unit capital retains
----- <i>Number</i> -----				
Farm supply . . . . .	2,164	1,244	1,898	5
Common stock . . . . .	1,637	973	873	0
Preferred stock . . . . .	971	608	413	0
Membership certificates . . . . .	105	87	20	0
Qualified certificates and credits . . . . .	1,592	84	1,585	5
Nonqualified certificates and credits . . . . .	339	0	340	0
Marketing . . . . .	1,674	921	1,328	260
Common stock . . . . .	978	704	339	14
Preferred stock . . . . .	467	303	228	17
Membership certificates . . . . .	173	136	38	0
Qualified certificates and credits . . . . .	1,291	44	1,135	233
Nonqualified certificates and credits . . . . .	105	0	94	12
Marketing/supply . . . . .	1,957	1,035	1,906	41
Common stock . . . . .	1,597	794	923	2
Preferred stock . . . . .	894	482	481	3
Membership certificates . . . . .	115	82	35	0
Qualified certificates and credits . . . . .	1,758	13	1,740	37
Nonqualified certificates and credits . . . . .	94	0	88	5
All cooperatives . . . . .	5,795	3,200	5,132	306
Common stock . . . . .	4,212	2,741	2,135	16
Preferred stock . . . . .	2,332	1,393	1,122	20
Membership certificates . . . . .	393	305	93	0
Qualified certificates and credits . . . . .	4,641	141	4,460	275
Nonqualified certificates and credits . . . . .	538	0	522	17

<sup>1</sup> Numbers do not add to totals because most cooperatives have more than one type of allocated equity capital.

total allocated equity acquired by purchase amounted to a little better than 10 percent for the 2,475 cooperatives operating under section 521 of the Internal Revenue Code, and to 11 percent for the 3,320 cooperatives not operating under section 521.

A larger percentage of the total equity of cooperatives with section 521 status was acquired through the per unit retain route and a smaller percentage through allocation of patronage refunds. As shown in other sections of this report, more of the strictly marketing cooperatives are operating under section 521, and it is mostly marketing cooperatives that acquire capital through per unit retain deductions.

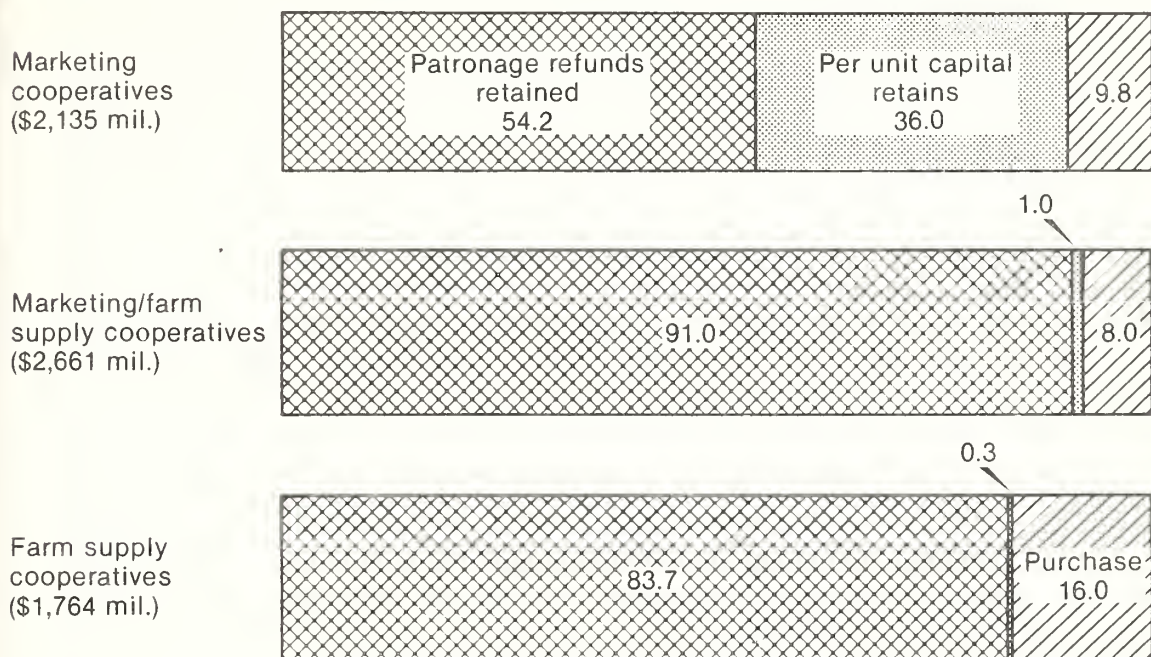
### **Methods of Acquiring Equity Capital by Major Function**

Methods of acquiring allocated equity capital are shown separately by major functions of the cooperatives in tables 36 and 37 and in figure 5. The percentages of total allocated equity capital outstanding at the close of fiscal years 1976 and 1970 acquired by each method are shown in table 36, and the numbers of cooperatives that had acquired any of their equity capital outstanding in 1976 by specified methods are shown in table 37. Data based on number of cooperatives using each method were not collected for 1970.

Figure 5

## Farmer Marketing and Supply Cooperatives

## Methods of Acquiring Allocated Equity Capital



Based on percent of total allocated equity capital outstanding at close of fiscal year 1976.

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The 2,164 farm supply cooperatives had combined allocated equity capital of \$1,764 million outstanding in 1976. Almost 84 percent of this was acquired by patronage refunds retained for deferred payment and the other 16 percent was purchased outright, primarily by members and patrons. Capital retains as a method of acquiring equity capital was insignificant with the farm supply cooperatives. Only 5 of the cooperatives reported any equity capital outstanding that had resulted from capital retains on a unit basis, whereas nearly 88 percent of the 2,164 cooperatives had acquired some of their equity capital by retaining patronage refunds, and 57 percent had sold some stock or other equity paper, which was mostly voting shares or membership certificates sold to members only.

The farm supply cooperatives had acquired over 22 percent of their total equity capital outstanding in 1970 through purchase, compared with 16 percent in 1976—a decrease of 6 percentage points.

The 1,674 primarily marketing cooperatives had \$2,135 million in allocated equity capital in 1976. Of this, 54 percent was acquired by retaining patronage refunds, 36 percent by means of per unit capital retains, and almost 10 percent by outright purchase. Less than 16 percent of the 1,674 cooperatives acquired any of their allocated equity capital by making per unit capital retains; over 79 percent acquired some by retaining patronage refunds; and 55 percent acquired some by sale of membership certificates, capital stock, or other equity paper.

The 1,957 multipurpose cooperatives classified as marketing/farm supply had combined allocated equity capital of \$2,661 million. Of this, 91 percent was acquired by patronage refunds retained, 8 percent was purchased outright, and 1 percent was invested by the per unit capital retain route. Only 41, or 2 percent of the 1,957 cooperatives,

acquired any of their equity capital by making per unit capital retains; nearly 53 percent sold some of their equity paper; and over 97 percent acquired some equity by allocating patronage refunds.

Tables 38 and 39 show, by the major functional groups, how the various types of equity capital outstanding in 1976 were acquired.

Tables 36 and 37 show differences in methods used to acquire the allocated equity capital outstanding in 1976, by major functions of the cooperatives operating under section 521 of the Internal Revenue Code and those without section 521 income tax status.

About one-third of the 2,164 farm supply cooperatives had section 521 tax status in 1976. The proportion of allocated capital acquired by each of the three methods was about the same for the section 521 farm supply cooperatives and those without section 521 status.

Approximately two-thirds of the 1,674 primarily marketing cooperatives had section 521 status. These section 521 cooperatives acquired more of their equity by making per unit capital retains and less by allocating patronage refunds than was the case with primarily marketing cooperatives without section 521 status.

Data for the 1,957 cooperatives classified as combination marketing/farm supply were very similar to that of the primarily farm supply cooperatives. About one-third had section 521 tax status, but their proportion of total allocated capital acquired by each method did not vary substantially from those without section 521 status.

### **Methods of Acquiring Equity Capital By Principal Products Marketed**

The principal method or methods used to acquire equity capital was not the same for all commodity groups of marketing cooperatives (tables 40 and 41). For example, nearly 3 out of every 4 dollars of equity capital of fruit and vegetable cooperatives outstanding in 1976 was acquired by per unit capital retains from patrons' sales proceeds. Grain marketing cooperatives, on the other hand, acquired only 1 percent of their equity capital by this method.

Methods of acquiring equity by cooperatives classified by principal products sold were heavily weighted by results reported by the 2,074 grain cooperatives, because grain cooperatives accounted for 57 percent of all 3,631 marketing and marketing/farm supply cooperatives in 1976, and accounted for almost 45 percent of the total allocated equity capital outstanding. The grain cooperatives acquired only 5 percent of their total allocated equity capital outstanding in 1976 by selling stock or other equity paper. This compares with 11 percent that had been acquired by sale in 1970. These cooperatives acquired over 93 percent in 1976 by retaining patronage refunds.

The 2,074 grain cooperatives had \$1,282 million, over 59 percent of their total allocated equity capital outstanding in 1976, in the form of equity certificates and credits, and almost 98 percent of this capital was acquired by retaining patronage refunds (tables 42 and 43). Nearly 93 percent of their common stock outstanding in 1976 and over 81 percent of their preferred stock was also acquired through the patronage refund route. Eighteen percent of the preferred stock and 7 percent of the common stock had been purchased outright.

The 364 fruit and vegetable cooperatives had combined allocated equity capital outstanding in 1976 of over \$566 million. Less than 6 percent of this was acquired by purchase, nearly 23 percent by retained patronage refunds, and over 71 percent by per unit capital retains.

The 459 dairy cooperatives had also acquired less than 6 percent of their total allocated equity capital outstanding in 1976 by selling stock or other equity paper. But

Table 40—Methods used to acquire outstanding allocated equity capital in farmer marketing and marketing/supply cooperatives, by principal products marketed and income tax status of the cooperatives, fiscal years 1970 and 1976<sup>1</sup>

Principal product, year, and income tax status	Cooperatives	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital refunds
	<i>Number</i>	<i>Million dollars</i>	<i>-----Percent-----</i>		
Diversified:					
1976 .....	28	702	15.7	83.8	0.5
Section 521 .....	14	201	29.7	68.5	1.8
Nonsection 521 .....	14	501	10.0	90.0	<sup>2</sup>
1970 .....	78	324	29.6	70.3	.1
Cotton and products:					
1976 .....	401	261	7.6	82.9	9.5
Section 521 .....	296	202	7.7	80.1	12.2
Nonsection 521 .....	105	59	7.4	92.6	<sup>2</sup>
1970 .....	526	187	2.3	84.2	13.5
Dairy products:					
1976 .....	459	596	5.9	67.6	26.5
Section 521 .....	386	325	6.3	67.9	25.8
Nonsection 521 .....	73	271	5.4	67.2	27.4
1970 .....	826	521	4.8	68.9	26.3
Fruit and vegetables:					
1976 .....	364	567	5.7	22.8	71.5
Section 521 .....	242	337	3.8	22.2	74.0
Nonsection 521 .....	122	230	8.5	23.7	67.8
1970 .....	475	367	9.1	24.5	66.4
Grain, soybeans, and products:					
1976 .....	2,074	2,156	5.3	93.5	1.2
Section 521 .....	635	473	6.2	88.4	5.4
Nonsection 521 .....	1,439	1,683	5.1	94.9	<sup>2</sup>
1970 .....	2,221	901	11.1	87.8	1.1
Livestock and wool: <sup>3</sup>					
1976 .....	97	35	16.5	82.5	1.0
Section 521 .....	67	18	18.5	81.0	.5
Nonsection 521 .....	30	17	14.5	84.1	1.4
1970 .....	514	19	20.3	79.7	<sup>2</sup>
Poultry products:					
1976 .....	37	79	12.9	81.7	5.4
Section 521 .....	15	37	2.9	92.3	4.8
Nonsection 521 .....	22	42	21.8	72.3	5.9
1970 .....	74	51	3.7	58.3	38.0
Rice:					
1976 .....	50	87	6.9	43.5	49.6
Section 521 .....	38	81	6.3	40.6	53.1
Nonsection 521 .....	12	6	15.9	84.1	<sup>2</sup>
1970 .....	54	65	7.7	43.0	49.3
Sugar:					
1976 .....	46	236	35.8	27.8	36.4
Section 521 .....	29	67	33.5	(5.1)	71.6
Nonsection 521 .....	17	169	36.7	40.8	22.5
1970 <sup>4</sup> .....	<sup>4</sup>	<sup>4</sup>	<sup>4</sup>	<sup>4</sup>	<sup>4</sup>

(Continued)

Table 40—Methods used to acquire outstanding allocated equity capital in farmer marketing and marketing/supply cooperatives, by principal products marketed and income tax status of the cooperatives, fiscal years 1970 and 1976—Continued

Principal product, year, and income tax status	Cooperatives	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital refunds
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>		
Other products: <sup>5</sup>					
1976 . . . . .	75	77	3.6	40.4	56.0
Section 521 . . . . .	45	57	3.6	29.1	67.3
Nonsection 521 . . . . .	30	20	3.8	72.2	24.0
1970 . . . . .	206	112	21.1	50.0	28.9
Total:					
1976 . . . . .	3,631	4,796	8.8	74.6	16.6
Section 521 . . . . .	1,767	1,798	9.6	61.6	28.8
Nonsection 521 . . . . .	1,864	2,998	8.3	82.5	9.2
1970 . . . . .	4,974	2,647	12.2	68.9	18.9

<sup>1</sup> Data were not collected on income tax status for 1970.

<sup>2</sup> Less than 0.05 percent.

<sup>3</sup> The 1976 survey excluded livestock shipping associations and county wool pools with small amounts of assets.

<sup>4</sup> Information included with other products in 1970. See footnote 5.

<sup>5</sup> Includes cooperatives handling the following products in 1976: 12 dry beans and peas, 17 nuts, 18 tobacco, and 28 special crops and miscellaneous products. For 1970, includes: 63 sugar (including 43 sugar beet bargaining), 28 tobacco, 17 nuts, 13 dry beans and peas, and 85 miscellaneous products.

Table 41—Number of the 3,631 farmer marketing and marketing/supply cooperatives that acquired any outstanding allocated equity capital by specified methods, by principal products marketed and income tax status of the cooperatives, fiscal year 1976

Principal product and income tax status	Cooperatives	Cooperatives with any of their total allocated equity capital acquired by <sup>1</sup> —		
		Purchase	Patronage refunds retained	Per unit capital retains
		<i>----- Number -----</i>		
Diversified . . . . .	28	25	25	4
Section 521 . . . . .	14	14	13	3
Nonsection 521 . . . . .	14	11	12	1
Cotton and products . . . . .	401	322	373	7
Section 521 . . . . .	296	243	282	7
Nonsection 521 . . . . .	105	79	91	0
Dairy products . . . . .	459	191	414	52
Section 521 . . . . .	386	150	352	36
Nonsection 521 . . . . .	73	41	62	16
Fruit and vegetables . . . . .	364	203	201	177
Section 521 . . . . .	242	115	133	133
Nonsection 521 . . . . .	122	88	68	44
Grain, soybeans and products . . . . .	2,074	1,062	2,041	12
Section 521 . . . . .	635	384	631	11
Nonsection 521 . . . . .	1,439	678	1,410	1
Livestock and wool <sup>2</sup> . . . . .	97	33	42	3
Section 521 . . . . .	67	16	26	2
Nonsection 521 . . . . .	30	17	16	1

(Continued)

Table 41—Number of the 3,631 farmer marketing and marketing/supply cooperatives that acquired any outstanding allocated equity capital by specified methods, by principal products marketed and income tax status of the cooperatives, fiscal year 1976—*Continued*

Principal product and income tax status	Cooperatives	Cooperatives with any of their total allocated equity capital acquired by <sup>1</sup> —		
		Purchase	Patronage refunds retained	Per unit capital retains
Poultry products . . . . .	37	30	29	8
Section 521 . . . . .	15	8	12	2
Nonsection 521 . . . . .	22	22	17	6
Rice . . . . .	50	27	45	5
Section 521 . . . . .	38	15	37	5
Nonsection 521 . . . . .	12	12	8	0
Sugar . . . . .	46	17	16	9
Section 521 . . . . .	29	5	2	4
Nonsection 521 . . . . .	17	12	14	5
Other products <sup>3</sup> . . . . .	75	46	48	24
Section 521 . . . . .	45	27	25	15
Nonsection 521 . . . . .	30	19	23	9
Total . . . . .	3,631	1,956	3,234	301
Section 521 . . . . .	1,767	977	1,513	218
Nonsection 521 . . . . .	1,864	979	1,721	83

<sup>1</sup> Figures cannot be added because most of the cooperatives have more than one type of allocated equity capital and each type was acquired by one or more methods.

<sup>2</sup> Excludes livestock shipping associations and county wool pools.

<sup>3</sup> Includes cooperatives handling the following products: 12 dry beans and peas, 17 nuts, 18 tobacco, and 28 special crops and miscellaneous products.

Table 42—Methods used to acquire various types of outstanding allocated equity capital by 3,631 farmer marketing and marketing/supply cooperatives, by principal products marketed by cooperatives, fiscal year 1976

Principal product and type of equity capital	Cooperatives <sup>1</sup>	Total allocated equity capital	Percentage total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>Thousand dollars</i>	<i>----- Percent -----</i>		
Diversified . . . . .	28	702,169	15.7	83.8	0.5
Common stock . . . . .	21	281,346	2.4	97.6	0
Preferred stock . . . . .	15	62,238	90.5	9.5	0
Membership certificates . . . . .	4	15	100.0	0	0
Qualified certificates and credits . . . . .	24	358,193	13.2	85.8	1.0
Nonqualified certificates and credits . . . . .	1	377	0	100.0	0
Cotton and products . . . . .	401	260,889	7.6	82.9	9.5
Common stock . . . . .	315	6,741	55.3	44.7	0
Preferred stock . . . . .	157	54,266	9.6	90.4	0
Membership certificates . . . . .	38	2,131	1.3	98.7	0
Qualified certificates and credits . . . . .	318	191,815	5.7	81.4	12.9
Nonqualified certificates and credits . . . . .	18	5,936	0	100.0	0
Dairy products . . . . .	459	595,350	5.9	67.6	26.5
Common stock . . . . .	281	15,488	23.6	70.7	5.7
Preferred stock . . . . .	100	45,218	44.0	53.2	2.8
Membership certificates . . . . .	38	7,273	97.2	2.8	0
Qualified certificates and credits . . . . .	396	522,375	.8	69.4	29.8
Nonqualified certificates and credits . . . . .	7	4,996	0	93.6	6.4

(Continued)

Table 42—Methods used to acquire various types of outstanding allocated equity capital by 3,631 farmer marketing and marketing/supply cooperatives, by principal products marketed by cooperatives fiscal year 1976—Continued

Principal product and type of equity capital	Cooperatives <sup>1</sup>	Total allocated equity capital	Percentage total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>Thousand dollars</i>	<i>Percent</i>		
Fruits and vegetables . . . . .	364	566,479	5.7	22.8	71.5
Common stock . . . . .	144	36,711	49.3	.7	50.0
Preferred stock . . . . .	54	25,532	32.8	51.1	16.1
Membership certificates . . . . .	57	1,671	90.2	9.8	0
Qualified certificates and credits . . . . .	291	469,316	1.0	22.2	76.8
Nonqualified certificates and credits . . . . .	43	33,249	0	34.1	65.9
Grain, soybeans and products . . . . .	2,074	2,156,127	5.3	93.5	1.2
Common stock . . . . .	1,687	413,102	7.2	92.8	0
Preferred stock . . . . .	943	441,695	18.4	81.4	.2
Membership certificates . . . . .	106	11,907	23.5	76.5	0
Qualified certificates and credits . . . . .	1,837	1,282,226	.1	97.9	2.0
Nonqualified certificates and credits . . . . .	108	7,197	0	100.0	0
Livestock and wool <sup>2</sup> . . . . .	97	35,126	16.5	82.5	1.0
Common stock . . . . .	32	2,114	84.9	15.1	0
Preferred stock . . . . .	19	5,079	65.8	34.2	0
Membership certificates . . . . .	9	1,852	24.6	75.4	0
Qualified certificates and credits . . . . .	35	25,063	.8	97.9	1.3
Nonqualified certificates and credits . . . . .	6	1,018	0	100.0	0
Poultry products . . . . .	37	79,038	12.9	81.7	5.4
Common stock . . . . .	25	1,120	78.0	22.0	0
Preferred stock . . . . .	15	3,285	77.0	20.9	2.1
Membership certificates . . . . .	7	46	100.0	0	0
Qualified certificates and credits . . . . .	31	73,304	9.2	85.1	5.7
Nonqualified certificates and credits . . . . .	1	1,283	0	100.0	0
Rice . . . . .	50	87,014	6.9	43.5	49.6
Common stock . . . . .	27	13,015	0.4	0.2	99.4
Preferred stock . . . . .	27	30,276	19.6	37.2	43.2
Membership certificates . . . . .	1	4	100.0	0	0
Qualified certificates and credits . . . . .	41	42,979	.1	60.0	39.9
Nonqualified certificates and credits . . . . .	2	740	0	100.0	0
Sugar . . . . .	46	236,359	35.8	27.8	36.4
Common stock . . . . .	15	30,156	100.0	0	0
Preferred stock . . . . .	7	46,153	100.0	0	0
Membership certificates . . . . .	1	28	100.0	0	0
Qualified certificates and credits . . . . .	22	147,042	5.6	39.3	55.1
Nonqualified certificates and credits . . . . .	6	12,980	0	60.9	39.1
Other products <sup>3</sup> . . . . .	75	77,175	3.6	40.4	56.0
Common stock . . . . .	30	3,652	15.0	85.0	0
Preferred stock . . . . .	23	2,421	79.0	21.0	0
Membership certificates . . . . .	26	2,010	12.6	87.4	0
Qualified certificates and credits . . . . .	57	68,429	.1	37.2	62.7
Nonqualified certificates and credits . . . . .	7	663	0	53.7	46.3
Total . . . . .	3,631	4,795,726	8.8	74.6	16.6
Common stock . . . . .	2,577	803,445	11.9	84.1	4.0
Preferred stock . . . . .	1,360	716,163	32.3	65.0	2.7
Membership certificates . . . . .	287	26,937	45.3	54.7	0
Qualified certificates and credits . . . . .	3,052	3,180,742	2.6	74.9	22.5
Nonqualified certificates and credits . . . . .	199	68,439	0	59.6	40.4

<sup>1</sup> Numbers do not add to totals because most cooperatives have more than one type of allocated equity capital.

<sup>2</sup> Excludes livestock shipping associations and county wool pools with small amounts of assets.

<sup>3</sup> Includes cooperatives handling the following products: 12 dry beans and peas, 17 nuts, 18 tobacco, and 28 special crops and miscellaneous products.

Table 43—Number of the 3,631 farmer marketing and marketing/supply cooperatives that acquired any of their outstanding allocated equity capital by specified methods, by type of allocated equity and principal products marketed by the cooperatives, fiscal year 1976

Principal product and type of allocated equity	Cooperatives	Cooperatives acquiring any of their allocated equity capital by <sup>1</sup> —		
		Purchase	Patronage refunds retained	Per unit capital retains
----- <i>Number</i> -----				
Diversified . . . . .	28	25	25	4
Common stock . . . . .	21	19	3	0
Preferred stock . . . . .	15	13	6	0
Membership certificates . . . . .	4	4	0	0
Qualified certificates and credits . . . . .	24	1	23	4
Nonqualified certificates and credits . . . . .	1	0	1	0
Cotton and products . . . . .	401	322	373	7
Common stock . . . . .	315	277	51	0
Preferred stock . . . . .	157	89	85	0
Membership certificates . . . . .	38	33	5	0
Qualified certificates and credits . . . . .	318	12	311	7
Nonqualified certificates and credits . . . . .	18	0	18	0
Dairy products . . . . .	459	191	414	52
Common stock . . . . .	281	151	131	7
Preferred stock . . . . .	100	56	48	6
Membership certificates . . . . .	38	27	11	0
Qualified certificates and credits . . . . .	396	6	385	40
Nonqualified certificates and credits . . . . .	7	0	5	2
Fruits and vegetables . . . . .	364	203	201	177
Common stock . . . . .	144	134	10	8
Preferred stock . . . . .	54	40	14	3
Membership certificates . . . . .	57	54	4	0
Qualified certificates and credits . . . . .	291	21	170	170
Nonqualified certificates and credits . . . . .	43	0	31	13
Grain, soybeans and products . . . . .	2,074	1,062	2,041	12
Common stock . . . . .	1,685	799	1,044	0
Preferred stock . . . . .	944	512	537	7
Membership certificates . . . . .	107	67	42	0
Qualified certificates and credits . . . . .	1,834	6	1,831	5
Nonqualified certificates and credits . . . . .	108	0	108	0
Livestock and wool <sup>2</sup> . . . . .	97	33	42	3
Common stock . . . . .	32	26	8	0
Preferred stock . . . . .	19	16	4	0
Membership certificates . . . . .	9	5	4	0
Qualified certificates and credits . . . . .	35	2	33	3
Nonqualified certificates and credits . . . . .	6	0	6	0
Poultry products . . . . .	37	30	29	8
Common stock . . . . .	25	23	2	0
Preferred stock . . . . .	15	12	1	1
Membership certificates . . . . .	7	7	0	0
Qualified certificates and credits . . . . .	31	4	26	7
Nonqualified certificates and credits . . . . .	1	0	1	0

(Continued)

Table 43—Number of the 3,631 farmer marketing and marketing/supply cooperatives that acquired any of their outstanding allocated equity capital by specified methods, by type of allocated equity and principal products marketed by the cooperatives, fiscal year 1976—*Continued*

Principal product and type of allocated equity	Cooperatives	Cooperatives acquiring any of their allocated equity capital by <sup>1</sup> —		
		Purchase	Patronage refunds retained	Per unit capital retains
----- <i>Number</i> -----				
Rice . . . . .	50	27	45	5
Common stock . . . . .	27	26	1	1
Preferred stock . . . . .	27	19	11	3
Membership certificates . . . . .	1	1	0	0
Qualified certificates and credits . . . . .	41	1	41	2
Nonqualified certificates and credits . . . . .	2	0	2	0
Sugar . . . . .	46	17	16	9
Common stock . . . . .	15	15	0	0
Preferred stock . . . . .	7	7	0	0
Membership certificates . . . . .	1	1	0	0
Qualified certificates and credits . . . . .	22	3	16	9
Nonqualified certificates and credits . . . . .	6	0	5	1
Other products <sup>3</sup> . . . . .	75	46	48	24
Common stock . . . . .	30	28	12	0
Preferred stock . . . . .	23	21	3	0
Membership certificates . . . . .	26	19	7	0
Qualified certificates and credits . . . . .	57	1	39	23
Nonqualified certificates and credits . . . . .	7	0	6	1
Total . . . . .	3,631	1,956	3,234	301
Common stock . . . . .	2,575	1,498	1,262	16
Preferred stock . . . . .	1,361	785	709	20
Membership certificates . . . . .	288	218	73	0
Qualified certificates and credits . . . . .	3,049	57	2,875	270
Nonqualified certificates and credit . . . . .	199	0	183	17

<sup>1</sup> Figures cannot be added because most of the cooperatives have more than one type of allocated equity capital and each type was acquired by one or more methods.

<sup>2</sup> Excludes livestock shipping associations and county wool pools.

<sup>3</sup> Includes cooperatives handling the following products: 12 dry beans and peas, 17 nuts, 18 tobacco, and 28 special crops and miscellaneous products.

they had acquired nearly 68 percent by retaining patronage refunds and about 27 percent by per unit capital retains.

Comparable data on methods of acquiring equity capital for cooperatives marketing other products are provided in tables 40, 41, 42, and 43.

Differences in methods used to acquire equity capital by cooperatives classified by principal products are shown separately for the cooperatives operating under section 521 of the Internal Revenue Code in tables 40 and 41.

### Methods of Acquiring Equity Capital By Farm Credit Districts

Tables 44, 45, 46, and 47 show methods used by the 5,795 marketing and farm supply cooperatives to acquire their allocated equity capital outstanding in 1976 by location of the cooperatives in the 12 farm credit districts.

Some farm products are grown in almost every State, and, of course, farm supplies

Table 44—Methods used to acquire outstanding allocated equity capital by 5,795 farmer marketing and supply cooperatives, by farm credit districts and income tax status of the cooperatives, fiscal year 1976

Farm credit district and income tax status	Cooperatives	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>Thousand dollars</i>	<i>Percent</i>		
Springfield . . . . .	278	152,608	40.4	34.5	25.1
Section 521 . . . . .	107	92,180	12.5	46.9	40.6
Nonsection 521 . . . . .	171	60,428	82.9	15.5	1.6
Baltimore . . . . .	208	188,776	16.3	81.9	1.8
Section 521 . . . . .	144	100,333	14.8	81.9	3.3
Nonsection 521 . . . . .	64	88,443	18.0	81.9	.1
Columbia . . . . .	204	392,522	26.5	48.1	25.4
Section 521 . . . . .	129	213,773	30.0	65.6	4.4
Nonsection 521 . . . . .	75	178,749	22.4	27.1	50.5
Louisville . . . . .	452	468,719	15.7	75.7	8.6
Section 521 . . . . .	251	172,493	19.6	58.1	22.3
Nonsection 521 . . . . .	201	296,226	13.5	86.0	.5
New Orleans . . . . .	272	315,762	42.0	57.4	.6
Section 521 . . . . .	181	133,307	13.8	85.7	.5
Nonsection 521 . . . . .	91	182,455	62.7	36.7	.6
St. Louis . . . . .	490	1,031,132	9.3	84.2	6.5
Section 521 . . . . .	150	119,779	8.1	54.0	37.9
Nonsection 521 . . . . .	340	911,353	9.5	88.1	2.4
St. Paul . . . . .	1,474	1,450,166	6.8	92.8	.4
Section 521 . . . . .	611	351,860	4.1	95.7	.2
Nonsection 521 . . . . .	863	1,098,306	7.6	91.9	.5
Omaha . . . . .	930	739,490	2.0	95.5	2.5
Section 521 . . . . .	219	173,280	1.3	89.4	9.3
Nonsection 521 . . . . .	711	566,210	2.3	97.3	.4
Wichita . . . . .	473	502,037	1.1	98.9	<sup>1</sup>
Section 521 . . . . .	60	23,876	3.9	95.7	.4
Nonsection 521 . . . . .	413	478,161	1.0	99.0	<sup>1</sup>
Houston . . . . .	368	378,691	7.6	80.5	11.9
Section 521 . . . . .	256	207,590	11.5	80.7	7.8
Nonsection 521 . . . . .	112	171,101	2.8	80.2	17.0
Sacramento . . . . .	287	639,106	7.7	25.8	66.5
Section 521 . . . . .	227	406,371	4.4	20.6	75.0
Nonsection 521 . . . . .	60	232,735	13.5	34.9	51.6
Spokane . . . . .	359	300,644	2.9	78.8	18.3
Section 521 . . . . .	140	119,302	1.5	60.1	38.4
Nonsection . . . . .	219	181,342	3.8	91.1	5.1
U.S. total . . . . .	5,795	6,559,653	10.7	77.1	12.2
Section 521 . . . . .	2,475	2,114,144	10.1	65.4	24.5
Nonsection 521 . . . . .	3,320	4,445,509	11.0	82.6	6.4

<sup>1</sup> Less than 0.05 percent.

**Table 45—Number of the 5,795 farmer marketing and supply cooperatives that acquired any of their outstanding allocated equity capital by specified methods, by farm credit districts and income tax status of the cooperatives, fiscal year 1976**

Farm credit district and income tax status	Cooperatives	Cooperatives with any of their total allocated equity capital acquired by <sup>1</sup> —		
		Purchase	Patronage refunds retained	Per unit capital retains
----- Number -----				
Springfield . . . . .	278	197	88	10
Section 521 . . . . .	107	35	75	8
Nonsection 521 . . . . .	171	162	13	2
Baltimore . . . . .	208	122	167	7
Section 521 . . . . .	144	80	127	6
Nonsection 521 . . . . .	64	42	40	1
Columbia . . . . .	204	166	160	47
Section 521 . . . . .	129	109	115	16
Nonsection 521 . . . . .	75	57	45	31
Louisville . . . . .	452	395	417	8
Section 521 . . . . .	251	210	228	4
Nonsection 521 . . . . .	201	185	189	4
New Orleans . . . . .	272	158	237	9
Section 521 . . . . .	181	76	164	6
Nonsection 521 . . . . .	91	82	73	3
St. Louis . . . . .	490	309	437	15
Section 521 . . . . .	150	83	131	14
Nonsection 521 . . . . .	340	226	306	1
St. Paul . . . . .	1,474	730	1,424	8
Section 521 . . . . .	611	337	589	5
Nonsection 521 . . . . .	863	393	835	3
Omaha . . . . .	930	308	911	8
Section 521 . . . . .	219	73	205	5
Nonsection 521 . . . . .	711	235	706	3
Wichita . . . . .	473	131	468	4
Section 521 . . . . .	60	26	56	2
Nonsection 521 . . . . .	413	105	412	2
Houston . . . . .	368	329	342	6
Section 521 . . . . .	256	228	247	5
Nonsection 521 . . . . .	112	101	95	1
Sacramento . . . . .	287	135	165	159
Section 521 . . . . .	227	91	130	131
Nonsection 521 . . . . .	60	44	35	28
Spokane . . . . .	359	220	316	25
Section 521 . . . . .	140	86	108	17
Nonsection 521 . . . . .	219	134	208	8
U.S. total . . . . .	5,795	3,200	5,132	306
Section 521 . . . . .	2,475	1,434	2,175	219
Nonsection 521 . . . . .	3,320	1,766	2,957	87

<sup>1</sup> Figures cannot be added because most of the cooperatives had more than one type of allocated equity capital and each type was acquired by one or more methods.

Table 46—Methods used to acquire the various types of outstanding allocated equity capital of 5,795 farmer marketing and supply cooperatives, by farm credit districts, fiscal year 1976

Farm credit district and type of allocated equity capital	Cooperatives <sup>1</sup>	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>Thousand dollars</i>	<i>----- Percent -----</i>		
Springfield . . . . .	278	152,608	40.4	34.5	25.1
Common stock . . . . .	201	26,951	40.1	0.5	59.4
Preferred stock . . . . .	159	55,282	86.1	7.8	6.1
Membership certificates . . . . .	7	330	41.5	58.5	0
Qualified certificates and credits . . . . .	84	68,295	4.5	67.7	27.8
Nonqualified certificates and credits . . . . .	6	1,750	0	100.0	0
Baltimore . . . . .	208	188,776	16.3	81.9	1.3
Common stock . . . . .	157	28,246	10.8	86.6	2.6
Preferred stock . . . . .	68	40,628	68.2	31.6	.2
Membership certificates . . . . .	7	358	9.2	90.8	0
Qualified certificates and credits . . . . .	149	112,387	0	97.7	2.3
Nonqualified certificates and credits . . . . .	71	7,157	0	100.0	0
Columbia . . . . .	204	392,522	26.5	48.1	25.4
Common stock . . . . .	84	24,569	88.5	10.7	.8
Preferred stock . . . . .	32	17,978	73.9	26.0	.1
Membership certificates . . . . .	7	207	100.0	0	0
Qualified certificates and credits . . . . .	172	329,752	20.9	52.2	26.9
Nonqualified certificates and credits . . . . .	73	20,016	0	46.6	53.4
Louisville . . . . .	452	468,719	15.7	75.7	8.6
Common stock . . . . .	407	114,830	7.3	92.3	.4
Preferred stock . . . . .	348	139,083	46.6	52.6	.8
Membership certificates . . . . .	12	460	99.9	.1	0
Qualified certificates and credits . . . . .	379	209,183	0	81.6	18.4
Nonqualified certificates and credits . . . . .	127	5,163	0	100.0	0
New Orleans . . . . .	272	315,762	42.0	57.4	.6
Common stock . . . . .	146	114,994	95.5	4.4	.1
Preferred stock . . . . .	83	23,332	93.8	2.0	4.2
Membership certificates . . . . .	11	1,087	32.9	67.1	0
Qualified certificates and credits . . . . .	225	167,392	.4	99.2	.4
Nonqualified certificates and credits . . . . .	82	8,957	0	100.0	0
St. Louis . . . . .	490	1,031,132	9.3	84.2	6.5
Common stock . . . . .	165	280,754	1.1	98.9	0
Preferred stock . . . . .	253	453,961	20.3	79.7	<sup>2</sup>
Membership certificates . . . . .	28	701	96.6	3.4	0
Qualified certificates and credits . . . . .	323	293,275	0	77.1	22.9
Nonqualified certificates and credits . . . . .	33	2,441	0	100.0	0
St. Paul . . . . .	1,474	1,450,166	6.8	92.8	.4
Common stock . . . . .	1,239	220,639	15.7	84.3	0
Preferred stock . . . . .	540	327,433	17.4	82.6	<sup>2</sup>
Membership certificates . . . . .	25	839	17.0	83.0	0
Qualified certificates and credits . . . . .	1,241	898,895	.7	98.6	.7
Nonqualified certificates and credits . . . . .	51	2,360	0	100.0	0

(Continued)

Table 46—Methods used to acquire the various types of outstanding allocated equity capital of 5,795 farmer marketing and supply cooperatives, by farm credit districts, fiscal year 1976—*Continued*

Farm credit district and type of allocated equity capital	Cooperatives <sup>1</sup>	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>Thousand dollars</i>	<i>-----Percent-----</i>		
Omaha . . . . .	930	739,490	2.0	95.5	2.5
Common stock . . . . .	797	112,241	10.3	89.7	<sup>2</sup>
Preferred stock . . . . .	360	89,183	1.7	98.3	0
Membership certificates . . . . .	67	3,241	60.6	39.4	0
Qualified certificates and credits . . . . .	880	530,839	<sup>2</sup>	96.5	3.5
Nonqualified certificates and credits . . . . .	29	3,986	0	100.0	0
Wichita . . . . .	473	502,037	1.1	98.9	<sup>2</sup>
Common stock . . . . .	414	251,210	1.0	99.0	0
Preferred stock . . . . .	177	64,596	3.5	96.5	<sup>2</sup>
Membership certificates . . . . .	52	11,212	2.5	97.5	0
Qualified certificates and credits . . . . .	430	171,451	.4	99.5	.1
Nonqualified certificates and credits . . . . .	5	3,568	0	100.0	0
Houston . . . . .	368	378,691	7.6	80.5	11.9
Common stock . . . . .	320	6,059	72.3	27.7	0
Preferred stock . . . . .	202	140,860	9.5	86.2	4.3
Membership certificates . . . . .	8	24	100.0	0	0
Qualified certificates and credits . . . . .	252	226,833	4.8	77.9	17.3
Nonqualified certificates and credits . . . . .	10	4,915	0	100.0	0
Sacramento . . . . .	287	639,106	7.7	25.8	66.5
Common stock . . . . .	32	45,364	67.7	.7	31.6
Preferred stock . . . . .	20	8,152	13.0	1.0	86.0
Membership certificates . . . . .	100	8,574	99.6	.4	0
Qualified certificates and credits . . . . .	262	556,968	1.6	28.9	69.5
Nonqualified certificates and credits . . . . .	22	20,048	0	16.8	83.2
Spokane . . . . .	359	300,644	2.9	78.8	18.3
Common stock . . . . .	250	34,921	11.0	88.2	.8
Preferred stock . . . . .	90	34,845	9.1	88.8	2.1
Membership certificates . . . . .	69	5,504	24.0	76.0	0
Qualified certificates and credits . . . . .	244	220,734	.1	75.5	24.4
Nonqualified certificates and credits . . . . .	29	4,640	0	94.6	5.4
U.S. total . . . . .	5,795	6,559,653	10.7	77.1	12.2
Common stock . . . . .	4,212	1,260,778	19.4	78.1	2.5
Preferred stock . . . . .	2,332	1,395,333	24.8	73.8	1.4
Membership certificates . . . . .	393	32,537	43.5	56.5	0
Qualified certificates and credits . . . . .	4,641	3,786,004	2.6	78.3	19.1
Nonqualified certificates and credits . . . . .	538	85,001	0	67.5	32.5

<sup>1</sup> Numbers do not add to totals because most cooperatives had more than one type of allocated equity capital.

<sup>2</sup> Less than 0.05 percent.

are needed in all States. However, other products, such as fruits and vegetables, are grown predominantly in a few States. Therefore, there is a definite relationship between methods of acquiring equity capital in certain geographic areas and the major types of cooperatives located in these areas. Types of cooperatives headquartered in each farm credit district are shown in table 4.

Most of the fruit and vegetable marketing cooperatives are located in California and Florida, with a few large ones in the northeastern and northwestern areas of the

Table 47—Number of the 5,795 farmer marketing and supply cooperatives that acquired outstanding allocated equity capital by specified methods, by type of allocated equity and farm credit districts, fiscal year 1976<sup>1</sup>

Farm credit district and type of allocated equity capital	Cooperatives	Cooperatives that acquired any of their allocated equity capital by—		
		Purchase	Patronage refunds retained	Per unit capital retains
----- Number -----				
Springfield . . . . .	278	197	88	10
Common stock . . . . .	201	188	10	5
Preferred stock . . . . .	159	156	5	1
Membership certificates . . . . .	7	6	1	0
Qualified certificates and credits . . . . .	84	5	81	6
Nonqualified certificates and credits . . . . .	6	0	6	0
Baltimore . . . . .	208	122	167	7
Common stock . . . . .	157	106	100	1
Preferred stock . . . . .	68	41	29	1
Membership certificates . . . . .	7	2	5	0
Qualified certificates and credits . . . . .	149	0	145	5
Nonqualified certificates and credits . . . . .	71	0	71	0
Columbia . . . . .	204	166	160	47
Common stock . . . . .	84	78	7	1
Preferred stock . . . . .	32	27	6	1
Membership certificates . . . . .	7	8	0	0
Qualified certificates and credits . . . . .	172	87	147	46
Nonqualified certificates and credits . . . . .	73	0	62	12
Louisville . . . . .	452	395	417	8
Common stock . . . . .	407	315	189	2
Preferred stock . . . . .	348	324	32	2
Membership certificates . . . . .	12	11	1	0
Qualified certificates and credits . . . . .	379	0	377	4
Nonqualified certificates and credits . . . . .	127	0	127	0
New Orleans . . . . .	272	158	237	9
Common stock . . . . .	146	140	9	2
Preferred stock . . . . .	83	78	9	1
Membership certificates . . . . .	11	9	3	0
Qualified certificates and credits . . . . .	225	9	221	6
Nonqualified certificates and credits . . . . .	82	0	82	0
St. Louis . . . . .	490	309	437	15
Common stock . . . . .	165	147	46	0
Preferred stock . . . . .	253	210	165	6
Membership certificates . . . . .	28	27	1	0
Qualified certificates and credits . . . . .	323	0	320	9
Nonqualified certificates and credits . . . . .	33	0	33	0
St. Paul . . . . .	1,474	730	1,424	8
Common stock . . . . .	1,239	658	668	0
Preferred stock . . . . .	540	308	235	3
Membership certificates . . . . .	25	14	12	0
Qualified certificates and credits . . . . .	1,241	5	1,241	5
Nonqualified certificates and credits . . . . .	51	0	51	0

(Continued)

Table 47—Number of the 5,795 farmer marketing and supply cooperatives that acquired outstanding allocated equity capital by specified methods, by type of allocated equity and farm credit districts, fiscal year 1976<sup>1</sup>—*Continued*

Farm credit district and type of allocated equity capital	Cooperatives	Cooperatives that acquired any of their allocated equity capital by—		
		Purchase	Patronage refunds retained	Per unit capital retains
----- Number -----				
Omaha . . . . .	930	308	911	8
Common stock . . . . .	797	244	650	1
Preferred stock . . . . .	360	78	296	0
Membership certificates . . . . .	67	43	22	0
Qualified certificates and credits . . . . .	880	1	878	7
Nonqualified certificates and credits . . . . .	29	0	29	0
Wichita . . . . .	473	131	468	4
Common stock . . . . .	414	87	338	0
Preferred stock . . . . .	177	29	151	1
Membership certificates . . . . .	52	27	27	0
Qualified certificates and credits . . . . .	430	9	422	3
Nonqualified certificates and credits . . . . .	5	0	5	0
Houston . . . . .	368	329	342	6
Common stock . . . . .	320	311	14	0
Preferred stock . . . . .	202	89	136	1
Membership certificates . . . . .	8	8	0	0
Qualified certificates and credits . . . . .	252	12	242	5
Nonqualified certificates and credits . . . . .	10	0	10	0
Sacramento . . . . .	287	135	165	159
Common stock . . . . .	32	29	4	3
Preferred stock . . . . .	20	16	4	2
Membership certificates . . . . .	100	98	3	0
Qualified certificates and credits . . . . .	262	12	155	155
Nonqualified certificates and credits . . . . .	22	0	18	4
Spokane . . . . .	359	220	316	25
Common stock . . . . .	250	168	100	1
Preferred stock . . . . .	90	37	54	1
Membership certificates . . . . .	69	53	18	0
Qualified certificates and credits . . . . .	244	1	231	24
Nonqualified certificates and credits . . . . .	29	0	28	1
U.S. total . . . . .	5,795	3,200	5,132	306
Common stock . . . . .	4,212	2,471	2,135	16
Preferred stock . . . . .	2,332	1,393	1,122	20
Membership certificates . . . . .	393	306	93	0
Qualified certificates and credits . . . . .	4,641	141	4,460	275
Nonqualified certificates and credits . . . . .	538	0	522	17

<sup>1</sup> Figures cannot be added because most cooperatives had more than one type of allocated equity capital and acquired it by various methods.

country. It is not surprising that the largest percentages of equity capital acquired by the capital retain method appeared in the Sacramento and Columbia farm credit districts, since the capital retain system of financing is most prevalent with fruit and vegetable cooperatives. Numbers of cooperatives that had acquired any equity capital by capital deductions made on a per unit basis were proportionately even greater in these two farm credit districts.

Grain and grain/farm supply cooperatives have traditionally relied on deferred patronage refunds as their predominant method of acquiring membership capital. This

method is very prominent with the grain cooperatives concentrated in the Midwest or bread basket States.

Table 44 shows that the cooperatives located in the Springfield and New Orleans districts had acquired by purchase 40 and 42 percent, respectively, of their equity capital outstanding in 1976. These percentages are somewhat misleading since they are very heavily weighted by a few large cooperatives with headquarters located in these districts (see section II of this report for data on the 100 largest cooperatives).

Differences in methods used to acquire equity capital, based on Federal income tax status of the cooperatives located in each farm credit district, are shown in tables 44 and 45.

The very significant differences shown for cooperatives with section 521 status compared with those not operating under section 521 in the Springfield and New Orleans districts are, as indicated above, accounted for by the tax status and size of a few large cooperatives in each district.

## **Borrowed Capital**

Agricultural processing and marketing, and the procurement of production supplies require large sums of capital. Adequate amounts of borrowed capital are needed to supplement member investments if cooperatives are to achieve economies of scale and the advantages of integrated operations.

Most cooperatives no longer try to operate on a "no-debt" basis. About 79 percent of the 5,795 cooperatives operating in 1976 had outstanding borrowed funds at the close of the fiscal year. This compares with only 59 percent with borrowed funds at the close of fiscal year 1962.

There has been a general trend in recent years toward the use of more borrowed funds in the capital structure of cooperatives. Some cooperatives borrow from only one source, but many borrow from several sources. The 4,559 cooperatives with borrowed capital outstanding at the close of fiscal year 1976 had an average of 1.7 loan sources each. Multiple loans from the same type of lender (such as commercial banks) were considered as a single source.

Farmer cooperatives had outstanding borrowed capital of \$6,149 million at the close of fiscal year 1976. This total is sharply higher than the \$2,766 million of borrowed funds reported for fiscal year 1970 and the \$1,191 million for fiscal year 1962.<sup>5</sup> Both long- and short-term loans are included in these estimates for each survey year.

Operating and inventory loans would be higher during the year to support the peaks in seasonal activity. Cooperatives use millions of dollars each year to finance their seasonal short-term capital needs. Very few of these seasonal borrowings are reflected in these figures unless they happened to be outstanding at the close of the fiscal years.

Amounts and sources of borrowed capital appearing on the balance sheets of the 5,795 cooperatives at the close of fiscal year 1976 are shown in figure 6. Any duplication caused by intercooperative borrowing has not been eliminated from these figures. All capital borrowed by the cooperatives from other farmer cooperatives, except banks for cooperatives, is included as "other cooperatives" on this chart.

The banks for cooperatives continue to be the most important source of credit for the 5,795 marketing and supply cooperatives, providing 62.2 percent of their total borrowed funds outstanding at the close of the 1976 fiscal year. This represents a 2-percentage-point drop from their share of total credit in 1970.

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<sup>5</sup>Tobacco cooperatives, whose primary function was to administer the price-support program for tobacco in their area, were omitted from these studies. Their use of Commodity Credit Corporation funds was not comparable to use of funds from normal credit sources.

Figure 6

5,795 Farmer Marketing and Supply Cooperatives

**Sources of Borrowed Capital**

Based on \$6,149 Million Outstanding at Close of Fiscal Year 1976

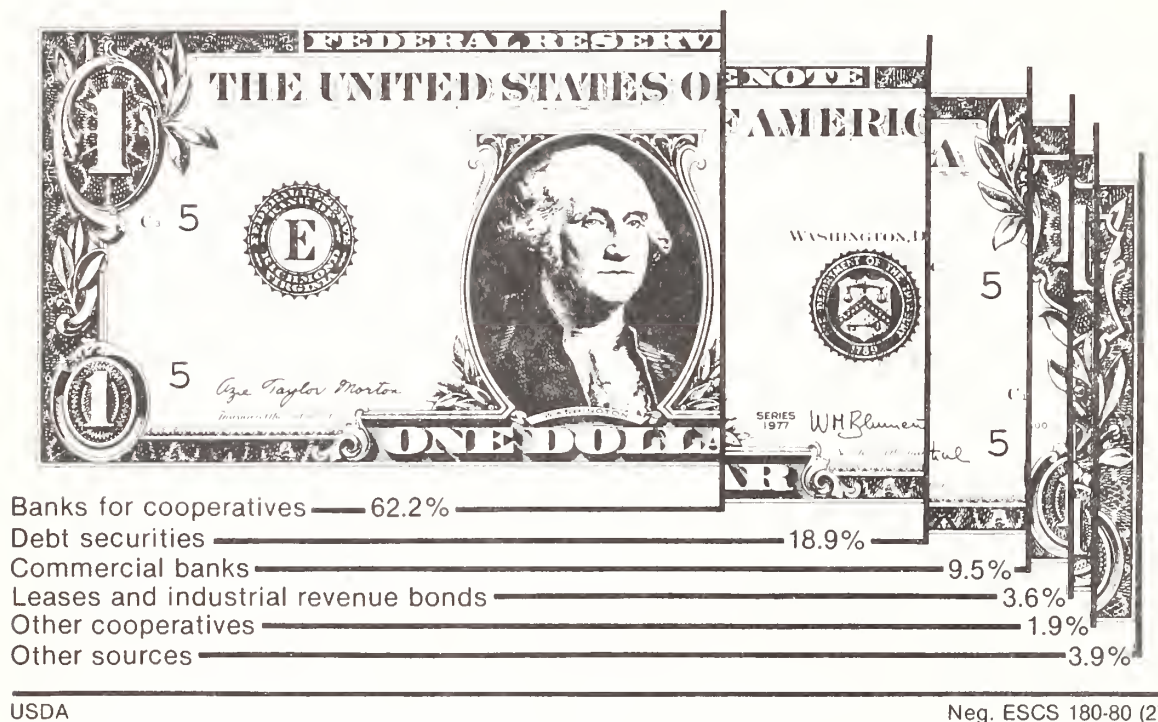


Table 48 shows that 3,042 cooperatives, or two-thirds of the total number with borrowed funds at the close of fiscal year 1976, had loans outstanding from the banks for cooperatives. And 52 percent of all 5,795 active cooperatives had outstanding loans from the banks for cooperatives. These figures, however, do not represent all cooperatives that borrow from the banks for cooperatives, just those with loans outstanding at the close of the year and only the farmer marketing and supply cooperatives.<sup>6</sup> The total of \$3.8 billion from the banks for cooperatives was over three times as large as the sum from issuance of debt securities by the cooperatives—the next largest source of debt capital. The average size of loans from banks for cooperatives was generally much larger than loans from other sources.

One-fourth of the cooperatives with borrowed funds and about 20 percent of all active cooperatives had loans from commercial banks outstanding at the close of their 1976 fiscal year. This category included all bank loans except the loans from banks for cooperatives. The total amount of commercial bank loans outstanding for 1976 was \$584 million. This compares with \$229 million in 1970, but represents only a 1.2-percentage-point increase in the share of total borrowings from this source.

Debt securities issued by 2,004 of the cooperatives totaled \$1,162 million at the close of fiscal year 1976. This source of debt capital accounted for almost 19 percent of the total debt, approximately the same percentage as in 1970, although the total amount of debt securities increased from \$535.8 million in 1970 to \$1,162 million in 1976. A large

<sup>6</sup>Banks for cooperatives also make loans to some rural electric cooperatives, to aquatic cooperatives, and other agricultural cooperatives such as artificial breeding and dairy herd improvement cooperatives.

Table 48—Sources and amounts of borrowed capital for 5,795 marketing and supply cooperatives, and number of cooperatives with loans outstanding from each source at close of fiscal year 1976

Source	Cooperatives with borrowed funds <sup>1</sup>	Amount outstanding from each source	Percentage from each source
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>
Banks for cooperatives . . . . .	3,042	3,826	62.2
Commercial banks . . . . .	1,142	584	9.5
Debt securities . . . . .	2,004	1,162	18.9
Leases and industrial revenue bonds . . . .	80	221	3.6
Other cooperatives . . . . .	772	118	1.9
Other sources . . . . .	566	238	3.9
Total . . . . .	4,559	6,149	100.0

<sup>1</sup> Figures do not add to total because many cooperatives borrow from more than one source.

share of the total amount of debt securities was issued by the largest cooperatives. In section II of this report, the borrowed funds of the 100 largest cooperatives are discussed in detail.

The debt securities category includes debt paper issued to members, patrons, and others for: (1) direct loans or loans resulting from transactions involving purchase agreements or contracts for land or equipment, installment contracts for facilities, or long-term contracts with construction companies; or (2) capital obtained through the sale or issuance of debt instruments such as debenture bonds, finance fund certificates, certificates of indebtedness, or short-term or demand notes. However, serialized debt certificates made up the predominant share of this \$1,162 million of debt paper. All certificates in this category had a definite due date. Some cooperatives sell debt instruments for cash to individuals; some issue debt paper as evidence of retained patronage refunds or per unit capital retains; and debt instruments result from mergers or consolidations in some cases.

Securities and Exchange Commission (SEC) registration procedures and costs, when required, are a consideration in issuing debt securities. The applicable Federal and State regulations depend on factors such as the presence of interstate commerce, tax status of the cooperatives, and the features of the individual debt issues.

Eighty cooperatives, representing 1.4 percent of the 5,795 active cooperatives, reported capitalized leases (including involvement with industrial revenue bond financing) in the debt section of their balance sheets in 1976. A total of \$221 million, or 3.6 percent of total borrowed capital outstanding at the close of fiscal year 1976 was from this source. This is a relatively new source of capital for cooperatives. No figures are available on leasing as a form of financing for earlier years—any capitalized leasing reported in 1970 or earlier was included in the previous studies with other sources of debt capital.

Only leases, including leveraged leases and industrial revenue bonds, that were capitalized and included in the liability section of the balance sheets of the cooperatives, were included with borrowed or debt capital for this study. Accounting and reporting practices of the cooperatives for lease financing differ. The total amount of lease financing may be understated to a degree in this report because not all cooperatives capitalized their leases at the time of this study. In the past, many leases were not capitalized on financial statements. Currently, however, Financial Accounting Standards Board (FASB) Statement 13, which deals with accounting for leases, requires expanded disclosure on financial statements for qualifying leases entered into before January 1, 1977. In 1981, FAS 13 will

require, on a retroactive basis, capitalization on financial statements of qualifying leases entered into before January 1, 1977.

Some farmer cooperatives are participating in projects with local governments in obtaining financing through use of industrial development or industrial revenue bonds. Processing plants, storage facilities, and other projects are financed in this manner. A local or county government unit may issue the bonds and then, in effect, make the equipment, buildings, and land available under a long-term lease arrangement to the cooperatives. The cooperatives may purchase the property upon termination of the lease agreement. In other cases, bond proceeds are loaned directly to cooperatives. Cooperatives of various sizes are involved with governmental units in industrial revenue bond financing, but the 100 largest cooperatives accounted for 88 percent of the total (\$221 million) financing through leases and industrial revenue bonds.

Loans to farmer cooperatives from other cooperatives, amounting to \$118 million, were reported by 772 cooperatives as outstanding at the close of fiscal year 1976. This source of credit accounted for less than 2 percent of total debt capital.

The loans from other cooperatives were concentrated among cooperatives that sell farm supplies and/or market grain. These cooperatives often have a federated organizational structure, and the loans are generally made to the local members of the federated cooperatives. In the farm supply group, 492 cooperatives borrowed a total of nearly \$67 million from other cooperatives. The grain and grain/farm supply cooperatives had 221 loans outstanding for a total of \$40 million. These two groups of cooperatives accounted for over 90 percent of the total amount of loans from other cooperatives.

Federated cooperatives extending credit to member associations were, in some cases, borrowing from other sources to provide this service. Some of the loans were also from subsidiary credit associations established by federated cooperatives to provide this service. A few federated cooperatives also borrow from their member associations.

Other sources accounted for the remaining \$238 million, or 3.9 percent of total borrowed capital outstanding at the close of fiscal year 1976. Other sources were reported by 566 of the 5,795 cooperatives. Insurance companies accounted for the major portion of loans from other sources, and the majority of this (\$140.6 million) was reported by 7 of the 100 largest cooperatives. Other sources also included marketing and supply companies, national and State farm organizations, credit unions, and employee pension funds.

A comparison of sources of borrowed capital of farmer marketing and supply cooperatives outstanding at the close of fiscal years 1954, 1962, 1970, and 1976 is shown in figure 7. All certificates fixed as to amount and maturity date were considered debt securities.

Total borrowed capital outstanding at the close of fiscal year 1954 was estimated at \$822 million. At the close of fiscal year 1962 this total was \$1,191 million, an increase of 45 percent for the 8-year period, or an average annual increase of 5.6 percent.

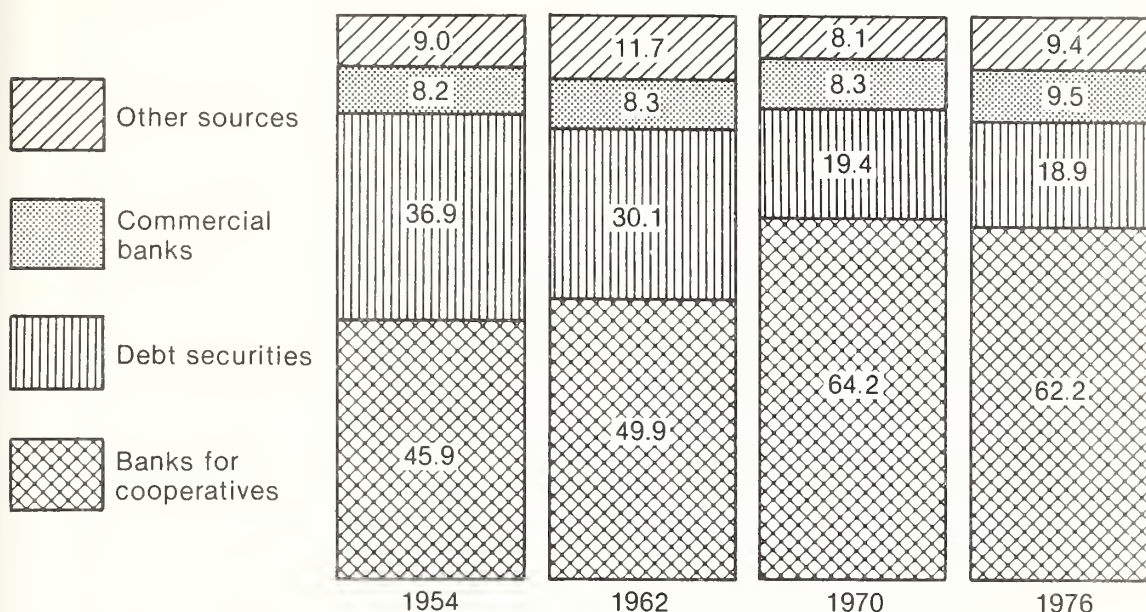
By the close of fiscal year 1970, debt capital had increased to \$2,766 million, an increase for the 8-year period (1963-1970) of 132 percent, or an average annual increase of 16.5 percent.

Total debt capital outstanding at the close of fiscal year 1976 totaled \$6,149 million. This represents an increase for the 6 years (1971-1976) of 122 percent, or an average annual increase of 20.3 percent.

Banks for cooperatives stood out as the major source of credit for farmer cooperatives for each of the 4 survey years. Their share of credit, based on amounts outstanding at the close of the fiscal years, increased from 50 percent in 1962 to 64 percent in 1970, but dropped slightly to 62 percent in 1976.

Figure 7

## Farmer Marketing and Supply Cooperatives

**Sources of Borrowed Capital, Based on Amounts Outstanding at the End of Fiscal Years**

Figures in bars are percent of total borrowed capital.

USDA

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Commercial banks furnished just over 8 percent of total borrowed capital outstanding at the close of fiscal years 1954, 1962, and 1970. Their share has increased only slightly, accounting for 9.5 percent of the total in 1976.

Debt securities, including all maturity-dated certificates, accounted for 18.9 percent of total debt capital of the cooperatives at the close of fiscal year 1976. This was only slightly less than the 19.4 percent from this source in 1970, but was considerably less than the 36.9 and 30.1 percent of total debt capital accounted for by this source in 1954 and 1962, respectively.

A few large cooperatives continue to provide their members and some outsiders with the opportunity to purchase fixed-income, fixed-maturity certificates. Most cooperatives, however, rely on members' capital contributions either in the form of retained savings or per unit capital retains. And while most member contributions are not maturity dated and are classified as equity capital, a few cooperatives have adopted the practice of issuing maturity-dated certificates for some member-patron investments. This was also the case in earlier years—1962 and 1954.

In some cases, maturity-dated certificates issued to member-patrons are considered equity capital by the individual cooperatives issuing them, and the cooperatives treat them as they would equity capital by redeeming or revolving them at or in advance of their stated maturity dates. However, lending agencies usually consider them as liabilities rather than as net worth, even though they are member equities in a broader sense. Regardless of how classified by the cooperatives or how acquired by the holders, all certificates fixed as to amount and maturity were classified for this study as debt or borrowed capital.

## Sources of Borrowed Capital by Major Functions

Sources and amounts of borrowed capital varied substantially according to type or major function of the cooperatives. Variations based on amounts outstanding at the close of fiscal year 1976 are presented in figure 8 for the three major functional groups—farm supply, marketing, and marketing/farm supply.

Table 49 shows sources of borrowed capital by major function of the cooperatives based on amounts outstanding at the close of fiscal years 1976 and 1970. Data are shown in table 50, for 1976 only, based on number of cooperatives borrowing from each source, rather than on amounts borrowed.

Eighty-three percent of the 2,164 active farm supply cooperatives had loans outstanding at the close of fiscal year 1976 amounting to almost \$1,200 million. A total of 1,047, or 48 percent, had outstanding loans with the banks for cooperatives of almost \$673 million. Over 56 percent of total borrowed capital of the supply cooperatives was supplied by the banks for cooperatives.

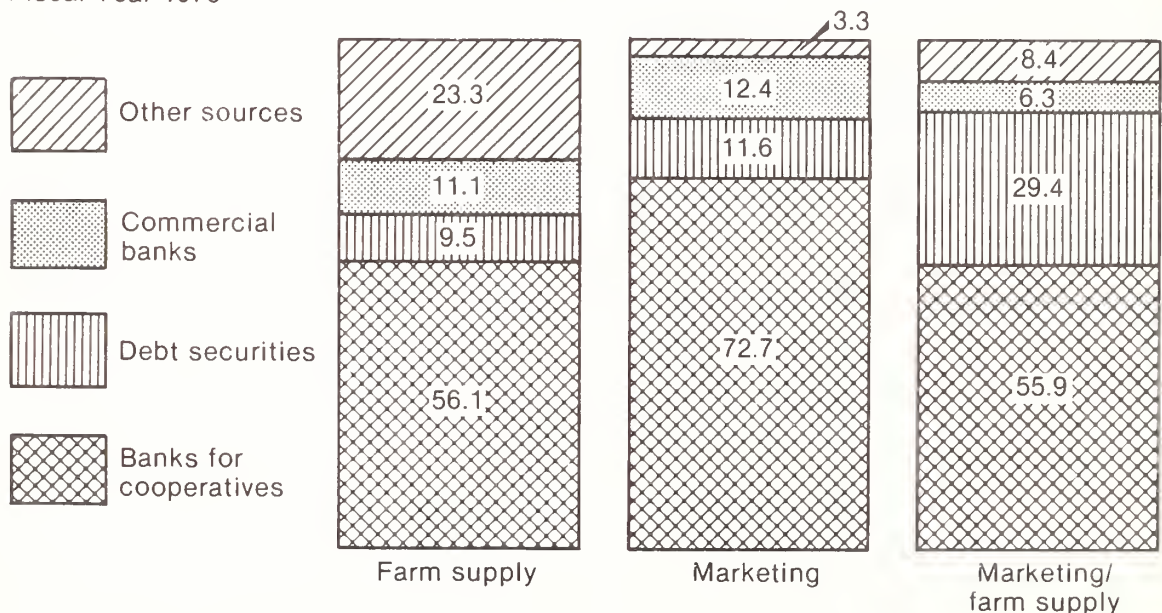
Only 469 of the 2,164 supply cooperatives had loans from commercial banks. These loans totaled \$133 million and represented 11 percent of their total outstanding borrowed funds. Debt securities appeared on the balance sheets of 715 of the supply cooperatives and accounted for 9.5 percent of total borrowed capital. Only 22 of the supply cooperatives reported capitalized leases and/or industrial revenue bonds in 1976, but funds from this source accounted for over 10 percent of borrowed capital. This form of financing is used primarily by large cooperatives. Funds borrowed from other cooperatives were

Figure 8

### Farmer Marketing and Supply Cooperatives

#### Sources of Borrowed Capital

By Major Function of Cooperatives, Based on Amounts Outstanding at Close of Fiscal Year 1976



Figures in bars are percent of total borrowed capital.

**Table 49—Sources of borrowed capital for farmer marketing and supply cooperatives, by major function of the cooperatives, based on amounts outstanding at close of fiscal years 1976 and 1970**

Major function and year	Cooperatives		Total borrowed capital	Percentage of total borrowed capital obtained from—					
	Total	With borrowed capital		Banks for cooperatives	Commercial banks	Issuance of debt securities	Leases and industrial revenue bonds	Other cooperatives	Other sources
	<i>Number</i>		<i>Million dollars</i>	<i>Percent</i>					
<b>Farm supply:</b>									
1976 .....	2,164	1,798	1,199	56.1	11.1	9.5	10.4	5.6	7.3
1970 .....	2,315	<sup>1</sup>	450	50.8	12.3	13.7	<sup>2</sup>	<sup>2</sup>	23.2 <sup>3</sup>
<b>Marketing:</b>									
1976 .....	1,674	1,040	2,300	72.7	12.4	11.6	.9	.3	2.1
1970 .....	2,504	<sup>1</sup>	985	71.1	9.0	13.4	<sup>2</sup>	<sup>2</sup>	6.5 <sup>3</sup>
<b>Marketing/supply:</b>									
1976 .....	1,957	1,721	2,650	55.9	6.3	29.4	2.9	1.7	3.8
1970 .....	2,470	<sup>1</sup>	1,331	63.7	6.4	25.7	<sup>2</sup>	<sup>2</sup>	4.2 <sup>3</sup>
<b>Total:</b>									
1976 .....	5,795	4,559	6,149	62.2	9.5	18.9	3.6	1.9	3.9
1970 .....	7,289	<sup>1</sup>	2,766	64.2	8.3	19.4	<sup>2</sup>	<sup>2</sup>	8.1 <sup>3</sup>

<sup>1</sup> Data not available for 1970.

<sup>2</sup> Data not reported separately but included in other sources for 1970.

<sup>3</sup> Includes debt financing through leases and industrial revenue bonds, and from other cooperatives for 1970.

**Table 50—Number of the 5,795 farmer marketing and supply cooperatives with any outstanding borrowed capital from specified sources, by major function of the cooperatives, at close of fiscal year 1976**

Major function	Cooperatives		Cooperatives with any borrowed capital from—					
	Total	With any borrowed capital	Banks for cooperatives	Commercial banks	Issuance of debt securities	Leases and industrial revenue bonds	Other cooperatives	Other sources
	<i>Number</i>							
Farm supply .....	2,164	1,798	1,047	469	715	22	492	221
Marketing .....	1,674	1,040	660	322	342	28	58	140
Marketing/supply .....	1,957	1,721	1,335	351	947	30	222	205
<b>Total .....</b>	<b>5,795</b>	<b>4,559</b>	<b>3,042</b>	<b>1,142</b>	<b>2,004</b>	<b>80</b>	<b>772</b>	<b>566</b>

reported by 492 of the supply cooperatives, but this source of capital accounted for less than 6 percent of total borrowings.

The total number of all loan sources of the supply cooperatives divided by the number of cooperatives with borrowed funds resulted in an average of 1.7 loan sources per borrower.

Sixty-two percent of the 1,674 cooperatives engaged primarily in marketing farm products reported a total of \$2,300 million of borrowed capital outstanding at the close of fiscal year 1976. Only 660 of these marketing cooperatives, or 39 percent, had loans outstanding from banks for cooperatives, although loans from this source amounted to almost \$1,672 million and accounted for nearly 73 percent of total borrowings for the cooperatives.

Over 12 percent of total borrowed funds of the marketing cooperatives was furnished by commercial banks, with 19 percent, or 322 of the cooperatives, using this source of capital. Debt securities were issued by 342 of the marketing cooperatives. This source of funds accounted for almost 12 percent of their total borrowed capital. Only 28 of the marketing cooperatives reported capitalized leases or industrial revenue bonds. Financing of this type accounted for less than 1 percent of total borrowings. Loans from other cooperatives were reported by 58 marketing cooperatives, but this source of funds also accounted for less than 1 percent of total borrowed capital.

The 1,040 marketing cooperatives with loans outstanding at the close of fiscal year 1976 had an average of 1.5 loan sources per cooperative.

Combination marketing/farm supply cooperatives numbered 1,957 in 1976, and 88 percent of these had outstanding borrowed capital at the close of the year amounting to \$2,650 million. Sixty-eight percent of these cooperatives had outstanding loans, totaling \$1,482 million, with banks for cooperatives. Cooperative bank loans accounted for about 56 percent of total borrowings.

Loans from commercial banks accounted for just over 6 percent of total borrowings and were reported by 351 of the marketing/farm supply cooperatives. Debt securities were reported by 947 of the 1,957 cooperatives and accounted for over 29 percent of their total borrowed capital. This source of capital was more significant for marketing/farm supply cooperatives than for those engaged primarily in one function or the other, but a substantial portion of the total debt securities was reported by a few large cooperatives (section II).

The 1,721 marketing/farm supply cooperatives with loans outstanding at the close of fiscal year 1976 had an average of 1.8 loan sources each.

### **Sources of Borrowed Capital by Principal Products Marketed**

Seventy-six percent of the 3,631 cooperatives involved in marketing had borrowed capital outstanding at the close of fiscal year 1976. Their total borrowed capital outstanding amounted to \$4,950 million.

Table 51 shows sources of borrowed capital for the cooperatives classified by principal products marketed based on amounts outstanding at the close of fiscal years 1976 and 1970, and table 52 shows number of the cooperatives with borrowings from each source in 1976.

Cooperatives marketing grain accounted for almost a third of the total borrowed funds, but this group of 1,812 cooperatives also accounted for almost two-thirds (2,761) of the total number of marketing and marketing/farm supply cooperatives with any borrowed capital outstanding.

The highly diversified cooperatives accounted for over one-fourth of total borrowed capital of the 2,761 cooperatives but for less than 1 percent of total number of cooperatives with borrowed capital. Of the \$1,310 million total borrowed capital of the diversified cooperatives, \$1,290 million, or over 98 percent, was borrowed by 11 diversified cooperatives included with the 100 largest cooperatives in 1976. The diversified cooperatives had a lower percentage of total borrowings from banks for cooperatives than any commodity group—less than 44 percent—and the highest percentage in outstanding debt securities—40 percent. The large cooperatives also accounted for this difference (section II).

The fruit and vegetable group had the highest percentage of their borrowings—nearly 78 percent—from the banks for cooperatives.

Table 51—Sources of borrowed capital for farmer marketing and marketing/supply cooperatives, by principal products marketed by the cooperatives, based on amounts outstanding at close of fiscal years 1976 and 1970

Principal product marketed and year	Cooperatives		Total borrowed capital	Percentage of total borrowed capital obtained from—					
	Total	With borrowed capital		Banks for cooperatives	Commercial banks	Issuance of debt securities	Leases and industrial revenue bonds	Other cooperatives	Other sources
	<i>Number</i>		<i>Million dollars</i>	<i>Percent</i>					
Diversified:									
1976 .....	28	26	1,310	43.9	5.7	40.0	3.5	0.4	6.5
1970 .....	78	<sup>1</sup>	662	54.1	7.2	35.8	<sup>2</sup>	<sup>2</sup>	<sup>2</sup> 2.9
Cotton and products:									
1976 .....	401	304	298	71.8	20.6	5.0	<sup>3</sup>	.6	2.0
1970 .....	526	<sup>1</sup>	53	84.7	1.6	1.7	<sup>2</sup>	<sup>2</sup>	<sup>2</sup> 12.0
Dairy products:									
1976 .....	459	205	371	62.4	11.5	20.5	1.1	.2	4.3
1970 .....	826	<sup>1</sup>	234	55.5	8.4	27.3	<sup>2</sup>	<sup>2</sup>	<sup>2</sup> 8.8
Fruits and vegetables:									
1976 .....	364	229	835	77.5	10.8	9.2	.4	.4	1.7
1970 .....	475	<sup>1</sup>	504	73.6	12.5	8.7	<sup>2</sup>	<sup>2</sup>	<sup>2</sup> 5.2
Grains, soybeans, and products:									
1976 .....	2,074	1,812	1,626	69.3	5.1	19.6	2.4	2.5	1.1
1970 .....	2,221	<sup>1</sup>	709	73.9	4.0	17.1	<sup>2</sup>	<sup>2</sup>	<sup>2</sup> 5.0
Livestock and wool: <sup>4</sup>									
1976 .....	97	42	22	67.9	12.4	17.2	1.6	<sup>3</sup>	.9
1970 .....	514	<sup>1</sup>	20	46.8	4.2	12.6	<sup>2</sup>	<sup>2</sup>	<sup>2</sup> 36.4
Poultry products:									
1976 .....	37	29	53	58.4	22.5	5.0	.7	<sup>3</sup>	13.4
1970 .....	74	<sup>1</sup>	25	66.9	31.7	<sup>3</sup>	<sup>2</sup>	<sup>2</sup>	<sup>2</sup> 1.4
Rice:									
1976 .....	50	39	88	69.0	10.6	19.3	1.1	<sup>3</sup>	<sup>3</sup>
1970 .....	54	<sup>1</sup>	29	88.3	8.3	<sup>3</sup>	<sup>2</sup>	<sup>2</sup>	<sup>2</sup> 3.4
Sugar: <sup>5</sup>									
1976 .....	46	22	308	73.6	24.1	.7	.5	<sup>3</sup>	1.1
1970 .....	<sup>5</sup>	<sup>5</sup>	<sup>5</sup>	<sup>5</sup>	<sup>5</sup>	<sup>5</sup>	<sup>5</sup>	<sup>5</sup>	<sup>5</sup>
Other products: <sup>5 6</sup>									
1976 .....	75	53	39	68.5	1.7	28.2	<sup>3</sup>	.6	1.0
1970 .....	206	<sup>1</sup>	80	84.7	4.9	4.9	<sup>2</sup>	<sup>2</sup>	<sup>2</sup> 5.5
Total:									
1976 .....	3,631	2,761	4,950	63.7	9.1	21.2	1.9	1.0	3.1
1970 .....	4,974	<sup>1</sup>	2,316	66.8	7.5	20.5	<sup>2</sup>	<sup>2</sup>	<sup>2</sup> 5.2

<sup>1</sup> Data not available.

<sup>2</sup> Loans from other cooperatives and leases were not reported separately for 1970, but were included in other sources. A combination of the other cooperatives, leases, and other sources for 1976 will give a comparable total to 1970.

<sup>3</sup> Less than 0.05 percent.

<sup>4</sup> Excludes livestock shipping cooperatives and county wool pools in 1976.

<sup>5</sup> Data for sugar cooperatives were not tabulated separately, but included with other products.

<sup>6</sup> Includes cooperatives marketing (or bargaining for) sugar, tobacco, nuts, dry beans and peas, and other products in 1970. Excludes sugar in 1976.

Table 52—Number of the 3,631 farmer marketing and marketing/supply cooperatives with any outstanding borrowed capital from specified sources, by principal products marketed by the cooperatives, at close of fiscal year 1976

Principal product marketed	Cooperatives		Cooperatives with any borrowed capital from—					
	Total	With any borrowed capital	Banks for cooperatives	Commercial banks	Issuance of debt securities	Leases and industrial revenue bonds	Other cooperatives	Other sources
-----Number-----								
Diversified .....	28	26	21	12	16	4	1	8
Cotton and cotton products ..	401	304	235	89	62	1	33	33
Dairy products .....	459	205	96	101	70	7	5	33
Fruits and vegetables .....	364	229	155	65	39	8	15	40
Grain, soybeans and products	2,074	1,812	1,351	361	1,042	33	221	205
Livestock and wool <sup>1</sup> .....	97	42	24	16	16	1	0	7
Poultry products .....	37	29	24	9	5	1	1	7
Rice .....	50	39	31	4	19	1	1	1
Sugar .....	46	22	21	4	5	2	0	6
Other products <sup>2</sup> .....	75	53	37	12	15	0	3	5
Total .....	3,631	2,761	1,995	673	1,289	58	280	345

<sup>1</sup> Excludes livestock shipping cooperatives and county wool pools.

<sup>2</sup> Includes cooperatives marketing tobacco, nuts, dry beans and peas, and other products.

### Sources of Borrowed Capital by Farm Credit Districts

Amounts and sources of borrowed capital of the 5,795 active cooperatives at the close of fiscal year 1976 varied substantially when the cooperatives were classified by geographic location. Farm credit districts were used for the geographic classification because the banks for cooperatives are the major source of credit for cooperatives. When large regional or interregional cooperatives operated in two or more farm credit districts, they were included in the district where their major headquarters were located, based on the post office address. For example, Farmland Industries, Inc., was included in the St. Louis farm credit district because its mailing address is Kansas City, Missouri. However, this large cooperative has members and assets located in several other farm credit districts and borrows from the Wichita Bank for Cooperatives.

Table 53 shows sources of borrowed capital, by farm credit districts, for the 5,795 cooperatives, based on amounts outstanding at the close of fiscal year 1976 and for 7,289 cooperatives for fiscal year 1970. Data are shown in table 54, based on number of cooperatives borrowing from each source, for 1976 only.

Cooperatives headquartered in the St. Louis farm credit district accounted for almost \$1.5 billion, or a fourth of the total borrowed funds held by the 4,559 cooperatives that had loans outstanding at the end of fiscal year 1976. However, the St. Paul district, with \$832 million of borrowed capital outstanding in 1976, accounted for a much larger number of cooperatives with loans.

The percentage of total loans outstanding at the close of fiscal year 1976 obtained from banks for cooperatives, by districts, ranged from highs of 80 to 85 percent in the Houston, New Orleans, and Columbia districts to lows of 41 percent in the St. Louis district and 44 percent in the Springfield district.

The total amount of loans outstanding to the banks for cooperatives at the close of the cooperatives' fiscal year, closing in various months in 1976, will not coincide with the total reported by the banks as of June 30, 1976—the closing of their fiscal year.

Table 53—Sources of borrowed capital for farmer marketing and supply cooperatives, by farm credit districts, based on amounts outstanding at close of fiscal years 1976 and 1970

Farm credit district and year	Cooperatives		Total borrowed capital	Percentage of total borrowed capital obtained from—					
	Total	With borrowed capital		Banks for cooperatives	Commercial banks	Issuance of debt securities	Leases and industrial revenue bonds	Other cooperatives	Other sources <sup>2</sup>
	<i>Number</i>		<i>Million dollars</i>	<i>Percent</i>					
Springfield:									
1976 .....	278	191	426	44.1	4.9	46.0	2.4	1.2	1.4
1970 .....	388	<sup>1</sup>	284	39.8	9.0	45.3	<sup>2</sup>	<sup>2</sup>	5.9
Baltimore:									
1976 .....	208	156	148	64.8	1.0	19.6	6.3	6.9	1.4
1970 .....	343	<sup>1</sup>	100	69.3	3.7	16.8	<sup>2</sup>	<sup>2</sup>	10.2
Columbia:									
1976 .....	204	154	437	80.0	1.8	11.7	3.3	.2	3.0
1970 .....	209	<sup>1</sup>	173	81.2	4.5	7.9	<sup>2</sup>	<sup>2</sup>	6.4
Louisville:									
1976 .....	452	392	414	62.0	8.5	20.5	.6	4.9	3.5
1970 .....	532	<sup>1</sup>	241	63.5	7.5	21.8	<sup>2</sup>	<sup>2</sup>	7.2
New Orleans:									
1976 .....	272	244	292	83.9	2.5	6.3	4.0	1.5	1.8
1970 .....	269	<sup>1</sup>	129	76.5	1.0	13.2	<sup>2</sup>	<sup>2</sup>	9.3
St. Louis:									
1976 .....	490	392	1,499	41.2	9.1	31.9	7.2	.9	9.7
1970 .....	593	<sup>1</sup>	431	54.0	11.7	28.3	<sup>2</sup>	<sup>2</sup>	6.0
St. Paul:									
1976 .....	1,474	1,081	832	67.2	13.0	10.4	5.2	2.7	1.5
1970 .....	1,998	<sup>1</sup>	367	62.0	4.9	19.5	<sup>2</sup>	<sup>2</sup>	13.6
Omaha:									
1976 .....	930	779	396	72.2	7.2	11.8	2.1	5.8	.9
1970 .....	1,094	<sup>1</sup>	207	68.8	4.2	15.9	<sup>2</sup>	<sup>2</sup>	11.1
Wichita:									
1976 .....	473	442	366	67.4	3.1	23.1	2.3	2.9	1.2
1970 .....	552	<sup>1</sup>	176	76.8	2.3	12.7	<sup>2</sup>	<sup>2</sup>	8.2
Houston:									
1976 .....	368	261	312	85.1	3.5	6.9	<sup>3</sup>	.5	4.0
1970 .....	479	<sup>1</sup>	128	79.4	2.4	8.0	<sup>2</sup>	<sup>2</sup>	10.2
Sacramento:									
1976 .....	287	206	783	67.0	26.1	4.4	.5	.3	1.7
1970 .....	368	<sup>1</sup>	337	71.2	20.8	1.7	<sup>2</sup>	<sup>2</sup>	6.3
Spokane:									
1976 .....	359	261	244	79.1	4.4	12.7	0	1.4	2.4
1970 .....	464	<sup>1</sup>	193	63.7	9.7	20.1	<sup>2</sup>	<sup>2</sup>	6.5
Total:									
1976 .....	5,795	4,559	6,149	62.2	9.5	18.9	3.6	1.9	3.9
1970 .....	7,289	<sup>1</sup>	2,766	64.2	8.3	19.4	<sup>2</sup>	<sup>2</sup>	8.1

<sup>1</sup> Data not available.

<sup>2</sup> Loans from other cooperatives and leases were not reported separately for 1970, but were included in other sources. A combination of the other cooperatives, leases, and other sources for 1976 will give a comparable total to 1970.

<sup>3</sup> Less than 0.05 percent.

Table 54—Number of the 5,795 farmer marketing and supply cooperatives with any borrowed capital outstanding from specified sources by farm credit districts, close of fiscal year 1976

Farm credit districts	Cooperatives		Cooperatives with any borrowed capital from—					
	Total	With any borrowed capital	Banks for cooperatives	Commercial banks	Issuance of debt securities	Leases and industrial revenue bonds	Other cooperatives	Other sources
-----Number-----								
Springfield . . . . .	278	191	159	21	24	1	1	10
Baltimore . . . . .	208	156	91	30	86	5	29	24
Columbia . . . . .	204	154	120	14	79	5	13	20
Louisville . . . . .	452	392	338	101	200	3	92	61
New Orleans . . . . .	272	244	209	81	61	5	75	32
St. Louis . . . . .	490	392	238	66	231	8	33	46
St. Paul . . . . .	1,474	1,081	586	338	427	15	183	142
Omaha . . . . .	930	779	476	195	461	22	142	92
Wichita . . . . .	473	442	361	73	272	6	118	28
Houston . . . . .	368	261	173	91	66	1	34	39
Sacramento . . . . .	287	206	127	83	38	9	11	35
Spokane . . . . .	359	261	164	49	59	0	41	37
U.S. Total . . . . .	5,795	4,559	3,042	1,142	2,004	80	772	566

The banks for cooperatives' share of total borrowed funds outstanding at the close of their 1970 and 1976 fiscal years dropped by 2 percentage points. In six farm credit districts the banks for cooperatives increased their share, and in six districts, their share decreased. In general, most districts had similar shares for both survey years.

A later discussion of the 100 largest cooperatives (section II) will show the large impact of this group on an individual district's share.

## Net Savings And Losses

Combined net savings and losses of the 5,795 farmer marketing and supply cooperatives amounted to \$1,844 million at the close of fiscal year 1976. This is a gross figure—duplications arising from intercooperative business have not been eliminated. Net savings of almost \$1,330 million were left after intercooperative distributions of patronage refunds, amounting to \$514 million in 1976, were deducted.

The cooperatives had approximately \$1,459 million for distribution to members and patrons based on business for fiscal year 1976 if \$129 million in per unit capital retains (allocated to patrons but fixed without reference to net savings) is added to the \$1,330 million net savings figure.

Net losses were tabulated along with net savings in arriving at the aggregate operating results for all 5,795 cooperatives reported above. However, none of the net savings figures included in this report reflect all the actual savings and value of services provided members and patrons by farmer cooperatives. Many buy-and-sell cooperatives price at current market; but many other cooperatives provide services as close to actual cost as possible during the year so that when their books are closed at the end of an operating year, amounts remaining (overpayments or underpayments) are relatively small. For example, many of the farmer marketing cooperatives that operate on a pool basis distribute all pool proceeds to members when pools are closed and, therefore, have no margins, or practically none, for distribution at the end of the fiscal year. They generally

acquire member capital contributions through per unit capital retains that are fixed without reference to net margins. However, for those marketing cooperatives operating on a pool basis and using established value for determining proceeds for distribution to growers, proceeds in excess of, or below, the established or economic value of raw product (approximate current market value) were included for this study as net margins or net losses. And in some cases, final payments by cooperatives operating on a pooling basis were reported as net margins for this study. A separate evaluation of real savings to farmers provided by cooperatives, especially marketing cooperatives operating on a pool basis, would require a separate study and evaluation, since savings are for the most part inextricably combined with sales returns.

A total of 5,127 of the 5,795 cooperatives operating in 1976 had net savings for the fiscal year amounting to \$1,898 million; 560 cooperatives had net operating losses amounting to \$53.7 million; and the remaining 108 cooperatives ended the year with a zero net margin figure.

Detailed data covering the distribution of 1976 operating results are reported in three separate subsections. The first covers all 5,795 cooperatives, with losses subtracted from gains to arrive at net operating results. The second covers only the 5,127 cooperatives with net savings in 1976 and shows how these savings were distributed. The third subsection covers the 560 cooperatives that had net operating losses in 1976 and shows how these losses were handled.

Some cooperatives involved in more than one major function had net savings in one or more functions or departments and net losses in others. Since each cooperative is a single business entity, operating results for the total business operation are reported as net savings or net losses, as the case may be. Data were not collected on the basis of results of separate functions or departments. In some of the cooperatives involved in more than one function, patrons of a department with net operating savings received cash or allocated patronage refunds even though the cooperative as a total business entity reported a net operating loss. Likewise, patrons of departments with net operating losses in some cooperatives had the losses charged against their accounts, deducted from marketing proceeds due them, or deducted from their allocated equity accounts, even though the cooperative as a total business entity reported net savings. Savings and losses (overpayments or underpayments) are not handled the same by all cooperatives involved in more than one function or department. Bylaws of cooperatives generally specify how savings and losses are to be handled.

Duplications arising from intercooperative distributions of patronage refunds and dividends by the cooperatives have not been eliminated in the accompanying tables. Thus, all figures reported herein on savings and losses are gross figures.

### **Distribution of Net Operating Results by All 5,795 Cooperatives**

Combined net operating results for all 5,795 marketing and farm supply cooperatives for their fiscal years ending in 1976 amounted to \$1,844 million. Net losses of 560 cooperatives were tabulated along with net savings of 5,127 cooperatives in arriving at the aggregate operating results for all the cooperatives. Thus, the \$1,844 million net savings reflects operating losses incurred as well as savings realized.

Table 55 shows how the \$1,844 million in net savings was distributed, with the cooperatives classified by major functions. Table 56 shows comparable data for the 3,631 cooperatives involved in marketing, with the cooperatives further classified by major product marketed. Negative figures in these tables resulted from charging losses to the allocated equity accounts of member-patrons or to unallocated reserves.

Table 55—Distribution of net operating results by farmer marketing and supply cooperatives, by major function and income tax status of the cooperatives, fiscal years 1976 and 1970<sup>1</sup>

Major function, year, and income tax status	Cooper- atives	Total net savings and losses	Percentage of total net savings and losses distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
	<i>Number</i>	<i>1,000 dollars</i>	<i>Percent</i>					
Farm supply:								
1976 . . . . .	2,164	523,597	36.3	50.1	0.7	6.3	1.5	5.1
Section 521 . . . . .	708	74,676	28.7	60.5	1.5	3.0	3.8	2.5
Nonsection 521 . . . .	1,456	448,921	37.6	48.4	.6	6.8	1.1	5.5
1970 . . . . .	2,315	148,000	41.6	38.7	<sup>3</sup>	5.8	6.5	7.4
Marketing:								
1976 . . . . .	1,674	468,765	64.4	27.4	1.2	1.8	2.5	2.7
Section 521 . . . . .	1,135	275,131	71.2	22.5	1.1	1.2	3.2	.8
Nonsection 521 . . . .	539	193,634	54.8	34.3	1.5	2.5	1.5	5.4
1970 . . . . .	2,504	157,000	62.2	32.2	<sup>3</sup>	(2.9)	6.9	1.6
Marketing/farm supply:								
1976 . . . . .	1,957	851,599	28.7	50.3	<sup>4</sup>	10.5	2.5	8.0
Section 521 . . . . .	632	196,435	28.9	58.4	<sup>4</sup>	4.6	5.6	2.5
Nonsection 521 . . . .	1,325	655,164	28.7	47.8	<sup>4</sup>	12.2	1.6	9.7
1970 . . . . .	2,470	173,000	29.2	54.2	<sup>3</sup>	.5	9.4	6.7
Total								
1976 . . . . .	5,795	1,843,961	39.9	44.4	.5	7.1	2.2	5.9
Section 521 . . . . .	2,475	546,242	50.2	40.6	.7	2.7	4.1	1.7
Nonsection 521 . . . .	3,320	1,297,719	35.7	46.0	.4	8.9	1.4	7.6
1970 . . . . .	7,289	478,000	43.9	42.2	<sup>3</sup>	1.0	7.7	5.2

<sup>1</sup> These are gross figures, intercooperative distributions have not been eliminated. Per unit capital retains fixed without reference to net savings are not included. Data on income tax status were not collected for fiscal year 1970.

<sup>2</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

<sup>3</sup> Nonqualified allocations were not shown separately in 1970; all 1970 allocations are shown here as qualified.

<sup>4</sup> Less than 0.05 percent.

Of the \$1,844 million net savings, 6 percent was used to pay Federal and State income taxes and 2 percent was distributed as dividends on capital stock and equity certificates. Almost 85 percent was distributed as patronage refunds on the current year's business—40 percent in cash and 45 percent as allocated capital credits. The remaining 7 percent was retained by the cooperatives as unallocated reserves.

Tables 55 and 56 also provide data on distribution of net operating results based on Federal income tax status of the cooperatives. The 2,475 cooperatives with section 521 tax status had combined net savings of \$546 million. The other 3,320 cooperatives without section 521 tax status had combined net savings of about \$1,298 million. The section 521 cooperatives paid less than 2 percent of their total savings as Federal and State income taxes, whereas the nonsection 521 group of cooperatives used almost 8 percent of their total savings to pay income taxes.

The section 521 cooperatives retained less than 3 percent of net savings as unallocated reserves compared with almost 9 percent for the cooperatives without section 521 status. Section 521 cooperatives also distributed a larger percentage of their patronage refunds in cash and in the form of dividends on equity capital.

Table 56—Distribution of net operating results by farmer marketing and marketing/supply cooperatives, by principal product marketed and income tax status of the cooperatives, fiscal years 1976 and 1970<sup>1</sup>

Principal product, year, and income tax status	Cooper- atives	Total net savings and losses	Percentage of total net savings and losses distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
	<i>Number</i>	<i>1,000 dollars</i>	<i>----- Percent -----</i>					
Diversified:								
1976 . . . . .	28	245,476	29.2	42.6	<sup>3</sup>	10.2	4.8	13.2
Section 521 . . . . .	14	67,506	21.7	58.3	<sup>3</sup>	3.6	12.6	3.8
Nonsection 521 . . . . .	14	177,970	32.1	36.6	<sup>3</sup>	12.7	1.8	16.8
1970 . . . . .	78	64,000	29.4	51.0	<sup>4</sup>	(6.0)	14.2	11.4
Cotton and products:								
1976 . . . . .	401	96,493	77.2	22.3	1.9	(3.6)	.6	1.6
Section 521 . . . . .	296	87,045	74.1	22.8	1.9	<sup>3</sup>	.5	.7
Nonsection 521 . . . . .	105	9,448	106.3	16.5	1.8	(36.0)	1.6	9.8
1970 . . . . .	526	37,000	56.8	41.6	<sup>4</sup>	(1.4)	2.9	.1
Dairy products:								
1976 . . . . .	459	74,871	27.1	64.1	.1	3.6	1.6	3.5
Section 521 . . . . .	386	37,307	25.8	72.6	<sup>3</sup>	(0.5)	1.7	.4
Nonsection 521 . . . . .	73	37,564	28.4	55.6	.1	7.8	1.4	6.7
1970 . . . . .	826	44,000	36.2	54.0	<sup>4</sup>	1.4	7.0	1.4
Fruits and vegetables:								
1976 . . . . .	364	137,322	81.2	11.4	1.0	2.4	1.8	2.2
Section 521 . . . . .	242	71,798	76.4	16.7	1.1	2.2	3.1	.5
Nonsection 521 . . . . .	122	65,524	86.7	5.6	.7	2.5	.4	4.1
1970 . . . . .	475	49,000	79.1	25.9	<sup>4</sup>	(14.3)	7.4	1.9
Grain, soybeans and products:								
1976 . . . . .	2,074	637,380	26.8	54.0	<sup>3</sup>	11.0	2.0	6.2
Section 521 . . . . .	635	120,993	33.1	54.7	.1	6.2	3.3	2.6
Nonsection 521 . . . . .	1,439	516,387	25.3	53.9	<sup>3</sup>	12.2	1.6	7.0
1970 . . . . .	2,221	90,000	26.6	54.9	<sup>4</sup>	7.5	6.7	4.3
Livestock and wool: <sup>5</sup>								
1976 . . . . .	97	7,398	28.0	36.6	.4	24.0	2.0	9.0
Section 521 . . . . .	67	3,191	26.2	26.3	1.0	39.1	1.7	5.7
Nonsection 521 . . . . .	30	4,207	29.3	43.4	<sup>3</sup>	13.5	2.4	11.4
1970 . . . . .	514	2,000	16.7	39.9	<sup>4</sup>	25.4	8.6	9.4
Poultry products:								
1976 . . . . .	37	17,602	34.9	64.9	.5	(2.5)	.6	1.6
Section 521 . . . . .	15	9,756	19.8	78.2	<sup>3</sup>	1.1	.9	<sup>3</sup>
Nonsection 521 . . . . .	22	7,846	53.8	48.4	1.4	(6.9)	<sup>3</sup>	3.3
1970 . . . . .	74	4,000	31.1	71.9	<sup>4</sup>	(5.5)	2.1	.4
Rice:								
1976 . . . . .	50	25,658	62.2	26.8	.4	.5	9.8	.3
Section 521 . . . . .	38	24,384	64.6	25.2	<sup>3</sup>	<sup>3</sup>	10.2	<sup>3</sup>
Nonsection 521 . . . . .	12	1,274	15.0	58.0	7.4	11.9	1.5	6.2
1970 . . . . .	54	24,000	74.8	16.8	<sup>4</sup>	<sup>3</sup>	6.4	2.0

(Continued)

Table 56—Distribution of net operating results by farmer marketing and marketing/supply cooperatives, by principal product marketed and income tax status of the cooperatives, fiscal years 1976 and 1970<sup>1</sup>—Continued

Principal product, year, and income tax status	Cooperatives	Total net savings and losses	Percentage of total net savings and losses distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
	<i>Number</i>	<i>1,000 dollars</i>	<i>Percent</i> -----					
Sugar:								
1976 .....	46	60,024	101.7	(4.5)	3.6	(3.6)	2.0	.8
Section 521 .....	29	37,352	111.2	(14.8)	.4	<sup>3</sup>	3.2	<sup>3</sup>
Nonsection 521 .....	17	22,672	86.3	12.3	8.8	(9.5)	<sup>3</sup>	2.1
1970 <sup>6</sup> .....	<sup>6</sup>							
Other products: <sup>7</sup>								
1976 .....	75	18,140	66.5	26.6	.2	2.6	1.0	3.1
Section 521 .....	45	12,234	74.0	25.7	0	(1.1)	1.1	.3
Nonsection 521 .....	30	5,906	51.0	28.6	.6	10.0	.9	8.9
1970 .....	206	16,000	63.2	17.2	<sup>4</sup>	.8	15.5	3.3
Total:								
1976 .....	3,631	1,320,364	41.4	42.0	.5	7.4	2.5	6.2
Section 521 .....	1,767	471,566	53.6	37.5	.6	2.6	4.2	1.5
Nonsection 521 .....	1,864	848,798	34.6	44.7	.4	10.0	1.6	8.7
1970 .....	4,974	330,000	44.9	43.7	<sup>4</sup>	(1.1)	8.3	4.2

<sup>1</sup> These are gross figures, intercooperative distributions have not been eliminated. Per unit capital retains fixed without reference to net savings are not included. Data on income tax status were not collected for fiscal year 1970.

<sup>2</sup> Includes Federal and State Income taxes, operating statements of many cooperatives do not list them separately.

<sup>3</sup> Less than 0.05 percent.

<sup>4</sup> Nonqualified allocations were not shown separately in 1970; all 1970 allocations are shown here as qualified.

<sup>5</sup> The 1976 survey excluded livestock shipping associations and county wool pools with small amounts of assets.

<sup>6</sup> Information included with other products in 1970. See footnote 7.

<sup>7</sup> Includes cooperatives handling the following products in 1976: 12 dry beans and peas, 17 nuts, 18 tobacco, and 28 special crops and miscellaneous products. For 1970, includes 63 sugar (including 43 sugar beet bargaining), 28 tobacco, 17 nuts, 13 dry beans and peas, and 85 miscellaneous products.

Table 57—Number of the 5,795 farmer marketing and supply cooperatives that distributed any net operating results in specified manners, by major function and income tax status of the cooperatives, fiscal year 1976<sup>1</sup>

Major function and income tax status	Cooper- atives	Cooperatives with any net operating results distributed as—					
		Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
		Cash	Allocated				
			Qualified	Nonqualified			
		<i>Number</i>					
Farm supply . . . . .	2,164	1,757	1,596	111	1,690	800	1,549
Section 521 . . . . .	708	585	581	86	435	310	328
Nonsection 521 . . . . .	1,456	1,172	1,015	25	1,255	490	1,221
Marketing . . . . .	1,674	1,171	991	36	735	401	554
Section 521 . . . . .	1,135	772	674	21	348	226	181
Nonsection 521 . . . . .	539	399	317	15	387	175	373
Marketing/farm supply . . . . .	1,957	1,744	1,686	19	1,412	665	1,259
Section 521 . . . . .	632	546	538	8	265	189	194
Nonsection 521 . . . . .	1,325	1,198	1,148	11	1,147	476	1,065
Total . . . . .	5,795	4,672	4,273	166	3,837	1,866	3,362
Section 521 . . . . .	2,475	1,903	1,793	115	1,048	725	703
Nonsection 521 . . . . .	3,320	2,769	2,480	51	2,789	1,141	2,659

<sup>1</sup> Of the 5,795 cooperatives, 5,127 had net savings, 560 had net losses, and 108 had zero net savings.

<sup>2</sup> Includes both Federal and State taxes; operating statements of many cooperatives do not list them separately.

**Table 58—Number of farmer marketing and marketing/supply cooperatives that distributed any net operating results in specified manners, by principal products marketed and income tax status of the cooperatives, fiscal year 1976**

Principal product and income tax status	Cooperatives	Cooperatives with any net operating results distributed as—					
		Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>1</sup>
		Cash	Allocated				
			Qualified	Nonqualified			
----- <i>Number</i> -----							
Diversified . . . . .	28	23	23	1	16	13	12
Section 521 . . . . .	14	11	12	0	5	6	3
Nonsection 521 . . . . .	14	12	11	1	11	7	9
Cotton and products . . . . .	401	315	274	9	141	80	100
Section 521 . . . . .	296	237	219	6	64	49	27
Nonsection 521 . . . . .	105	78	55	3	77	31	73
Dairy products . . . . .	459	308	321	2	129	49	63
Section 521 . . . . .	386	259	282	0	81	36	24
Nonsection 521 . . . . .	73	49	39	2	48	13	39
Fruits and vegetables . . . . .	364	246	124	21	138	43	107
Section 521 . . . . .	242	173	85	13	59	28	37
Nonsection 521 . . . . .	122	73	39	8	79	15	70
Grains, soybeans, and products .	2,074	1,860	1,803	13	1,581	813	1,426
Section 521 . . . . .	635	542	536	5	339	246	253
Nonsection 521 . . . . .	1,439	1,318	1,267	8	1,242	567	1,173
Livestock and wool <sup>2</sup> . . . . .	97	28	28	1	57	11	30
Section 521 . . . . .	67	17	17	1	33	5	10
Nonsection 521 . . . . .	30	11	11	0	24	6	20
Poultry products . . . . .	37	21	20	1	26	7	18
Section 521 . . . . .	15	10	11	0	6	4	5
Nonsection 521 . . . . .	22	11	9	1	20	3	13
Rice . . . . .	50	41	37	2	11	30	8
Section 521 . . . . .	38	35	31	1	1	27	2
Nonsection 521 . . . . .	12	6	6	1	10	3	6
Sugar . . . . .	46	17	9	2	15	1	11
Section 521 . . . . .	29	3	0	1	7	1	2
Nonsection 521 . . . . .	17	14	9	1	8	0	9
Other products <sup>3</sup> . . . . .	75	56	36	3	33	19	37
Section 521 . . . . .	45	31	18	2	18	13	11
Nonsection 521 . . . . .	30	25	18	1	15	6	26
Total . . . . .	3,631	2,915	2,675	55	2,147	1,066	1,812
Section 521 . . . . .	1,767	1,318	1,211	29	613	415	374
Nonsection 521 . . . . .	1,864	1,597	1,464	26	1,534	651	1,438

<sup>1</sup> Includes Federal and State income taxes.

<sup>2</sup> Excludes livestock shipping associations and county wool pools with small amounts of assets.

<sup>3</sup> Includes cooperatives handling the following products: 12 dry beans and peas, 17 nuts, 18 tobacco, and 28 special crops and miscellaneous products.

Table 55 also provides comparable data on distribution of net operating results for marketing and supply cooperatives in 1970. These data show that cooperatives used a much smaller percentage of net savings to pay dividends on equity capital in 1976 than in 1970, and that they retained only 1 percent of total net savings as unallocated reserves in 1970 compared with 7 percent in 1976. The fact that more of the cooperatives, especially large cooperatives, operated as section 521 cooperatives in 1970 than in 1976 probably accounts for these differences.

Tables 57 and 58 provide information on the number of cooperatives that distributed any of their net operating results for fiscal year 1976 in specified ways. Data are shown by major functional groups in table 57 and by principal product marketed in table 58.

The remaining portions of this section on net savings and losses show additional data on distribution of net operating results of the cooperatives with data shown separately for cooperatives with net savings and those with net losses. Actual distribution patterns are more meaningful when distributions of savings and losses are shown separately.

### **Distribution of Net Savings**

Table 59 shows how the 5,127 cooperatives with net savings for fiscal year 1976 distributed the savings. All cooperatives with losses for the year were excluded in tabulating these figures. Per unit capital retains, fixed without reference to net savings, were also excluded. Combined net savings or net proceeds for all the cooperatives amounted to almost \$1,898 million. Almost 6 percent of this amount, \$108.6 million, was used to pay income taxes. Another 2 percent was distributed as dividends and interest on capital stock and equity certificates. Almost 84 percent was distributed as patronage refunds on the current year's business—39 percent in cash and 44 percent as allocated capital credits. The remaining 8 percent was retained by the cooperatives as unallocated reserves.

Less than 1 percent of allocated patronage refunds based on the current year's business were issued as nonqualified notifications for Federal income tax purposes in 1976. A few cooperatives deliberately issue nonqualified patronage refunds. However, most of the cooperatives had only small amounts in nonqualified allocations. These resulted primarily from failure on the part of a few patrons to endorse and cash their patronage refund checks in the 90-day period allowed by cooperatives using this method of patron consent.<sup>7</sup>

Figures showing distribution of net savings by cooperatives for fiscal year 1976 are presented with comparable data for fiscal years 1954, 1962 and 1970 in figure 9. Total net savings for 1954 were estimated at \$332 million, for 1962 at \$525 million, and for 1970 at \$506 million. Savings of \$1,898 million for fiscal year 1976 were more than three times greater than in 1970.

Cooperatives as a total group distributed almost 3 percentage points more of their savings as patronage refunds in 1976 than in 1970 (fig. 9). They also retained a little more as unallocated reserves in 1976, and as a result, income taxes paid showed a comparable increase. The percentage of total net savings paid as dividends on equity capital decreased significantly, down from 7 percent of total net savings in 1970 to only 2 percent in 1976.

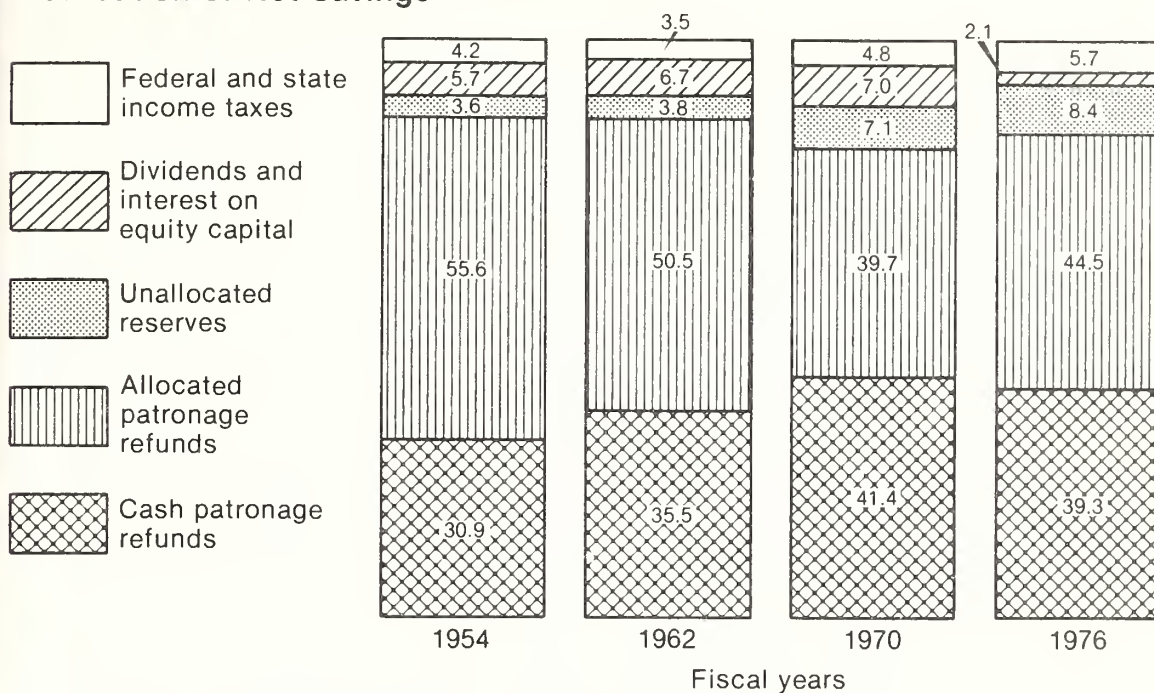
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<sup>7</sup>An explanation of how to qualify patronage refunds and capital retains appears in *Legal Phases of Farmer Cooperatives, Part II, Federal Income Taxes*, Inf. 100, Farm. Coop. Serv., U.S. Dept. Agr., May 1976.

Figure 9

## Farmer Marketing and Supply Cooperatives

## Distribution of Net Savings



Figures in bars are percent of total net savings at close of fiscal years.

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Table 60—Number of the 5,127 farmer marketing and supply cooperatives with net savings that distributed any net savings for fiscal year 1976 in specified manners, by major function and income tax status of the cooperatives, fiscal year 1976

Major function, and income tax status	Coopera- tives with net savings	Cooperatives with any net savings distributed as—					
		Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>1</sup>
		Cash	Allocated				
			Qualified	Nonqualified			
-----Number-----							
Farm supply . . . . .	1,895	1,732	1,539	111	1,481	740	1,496
Section 521 . . . . .	611	585	548	86	375	300	328
Nonsection 521 . . . . .	1,284	1,147	991	25	1,106	440	1,168
Marketing . . . . .	1,378	1,158	945	36	577	385	546
Section 521 . . . . .	903	764	632	21	236	218	178
Nonsection 521 . . . . .	475	394	313	15	341	167	368
Marketing/supply . . . . .	1,854	1,744	1,651	19	1,350	655	1,248
Section 521 . . . . .	582	546	509	8	247	184	193
Nonsection 521 . . . . .	1,272	1,198	1,142	11	1,103	471	1,055
Total . . . . .	5,127	4,634	4,135	166	3,408	1,780	3,290
Section 521 . . . . .	2,096	1,895	1,689	115	858	702	699
Nonsection 521 . . . . .	3,031	2,739	2,446	51	2,550	1,078	2,591

<sup>1</sup> Includes both Federal and State taxes; operating statements of many cooperatives do not list them separately.

Table 59—Distribution of net savings by farmer marketing and supply cooperatives with net savings, by major function and income tax status of the cooperatives, fiscal years 1976 and 1970<sup>1</sup>

Major function, year, and income tax status	Coopera- tives with net savings	Total net savings	Percentage of total net savings distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
	<i>Number</i>	<i>1,000 dollars</i>	<i>-----Percent-----</i>					
Farm supply:								
1976 .....	1,895	530,582	35.9	49.9	0.7	7.1	1.4	5.0
Section 521 .....	611	79,144	27.1	59.6	1.4	6.0	3.5	2.4
Nonsection 521 .....	1,284	451,438	37.4	48.1	.6	7.4	1.1	5.4
1970 .....	<sup>1</sup>	150,000	40.2	37.2	<sup>3</sup>	9.5	6.0	7.1
Marketing:								
1976 .....	1,378	511,358	60.8	27.4	1.1	5.8	2.3	2.6
Section 521 .....	903	300,056	67.8	23.7	1.0	3.9	2.9	.7
Nonsection 521 .....	475	211,302	50.9	32.6	1.3	8.5	1.4	5.3
1970 .....	<sup>1</sup>	174,000	58.5	30.3	<sup>3</sup>	4.2	5.9	1.1
Marketing/farm supply:								
1976 .....	1,854	855,732	28.6	50.2	<sup>4</sup>	10.7	2.5	8.0
Section 521 .....	582	198,739	28.6	58.6	<sup>4</sup>	4.8	5.5	2.5
Nonsection 521 .....	1,272	656,993	28.6	47.7	<sup>4</sup>	12.4	1.6	9.7
1970 .....	<sup>1</sup>	182,000	26.1	50.8	<sup>3</sup>	8.1	8.7	6.3
Total:								
1976 .....	5,127	1,897,672	39.3	44.0	.5	8.4	2.1	5.7
Section 521 .....	2,096	577,939	48.7	40.6	.7	4.5	3.9	1.6
Nonsection 521 .....	3,031	1,319,733	35.2	45.4	.4	10.1	1.4	7.5
1970 .....	<sup>1</sup>	506,000	41.4	39.7	<sup>3</sup>	7.1	7.0	4.8

<sup>1</sup> Only those cooperatives with net savings for the year are included in this table. Per unit capital retains fixed without reference to net savings are not included. Intercooperative distributions have not been eliminated. Data on number of cooperatives with savings and income tax status were not collected for 1970.

<sup>2</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

<sup>3</sup> Nonqualified allocations were not shown separately in 1970; all 1970 allocations are shown here as qualified.

<sup>4</sup> Less than 0.05 percent.

Number of the 5,127 farmer marketing and supply cooperatives with net savings that distributed any of their net savings for fiscal year 1976 in specified ways is shown by major function and income tax status of the cooperatives in table 60.

Ninety percent of the 5,127 cooperatives paid some cash patronage refunds, almost 81 percent distributed some patronage refunds as qualified equity capital, and 3 percent distributed some as nonqualified equity capital. One-third of the cooperatives distributed a small amount of their net savings as dividends on equity capital. Two-thirds of the cooperatives retained a portion of net savings as unallocated reserves, and two-thirds paid Federal and/or State income taxes.

The percentages of cooperatives making any distribution of net savings as patronage refunds and as dividends on stock or other equity capital were the same for the section 521 cooperatives and those without section 521 status. However, less than 41 percent of the 2,096 section 521 cooperatives retained any net savings as unallocated reserves, compared with 84 percent of the 3,031 cooperatives without status. Only a third of the

cooperatives operating under section 521 of the Internal Revenue Code paid Federal and/or State income taxes for fiscal year 1976, compared with 85 percent of those not operating under section 521.

### **Distribution of Net Savings by Major Function**

Distribution of net savings by farmer marketing and supply cooperatives for fiscal year 1976 is shown on the basis of major function of the cooperatives and their income tax status in table 59. Comparable data are shown for 1970, but data on tax status were not collected for that year.

Many more cooperatives handling farm supplies were operating without section 521 status in 1976 than those engaged exclusively in marketing farm products, primarily because they had more nonmember business. The farm supply cooperatives retained a larger percentage of their net savings as unallocated reserves than the marketing group, and were required to pay more in income taxes as a result.

Marketing cooperatives, on the other hand, distributed a larger percentage of their patronage refunds in cash. As indicated earlier, member-patrons of many types of marketing cooperatives contribute a substantial portion of their member capital through the per unit capital retain route, and such retains are fixed without reference to net savings. Information on per unit capital retains is included in a later section of this report.

### **Distribution of Net Savings By Principal Products Marketed**

Table 61 provides detailed data on total net savings and how it was distributed by 3,232 farmer marketing and marketing/supply cooperatives with net savings for fiscal year 1976. Data are shown by principal product marketed and by income tax status of the cooperatives. Comparable data are also shown for fiscal year 1970, except income tax status of the cooperatives was not obtained for 1970.

Data shown in table 61 are equivalent to that shown in table 59 for the 1,378 marketing cooperatives and the 1,854 marketing/supply cooperatives, but with these two groups combined and classified by major product marketed. Over 60 percent of the 3,232 cooperatives were involved in grain marketing and most of them also handled farm supplies.

Table 62 shows the number of the 3,232 marketing and marketing/supply cooperatives with net savings that distributed any savings for fiscal year 1976 in each specified manner, and is tabulated by principal product marketed and by income tax status.

### **Distribution of Net Savings by Farm Credit Districts**

Total net savings of the 5,127 farmer marketing and supply cooperatives with net savings for fiscal year 1976 and how these savings were distributed are shown in table 63 by farm credit districts and income tax status of the cooperatives.

Total net savings, by districts, ranged from \$50 million in the Baltimore district to over \$400 million in the St. Louis district. Cooperatives headquartered in the Sacramento district paid out the highest percentage of total net savings as cash patronage refunds on the current year's business (81.5 percent), retained the lowest percentage as unallocated reserves (0.9 percent), and paid the lowest percentage as Federal and State income taxes (1.4 percent).

Table 61—Distribution of net savings by farmer marketing and marketing/supply cooperatives with net savings, by principal products marketed and income tax status of the cooperatives, fiscal years 1976 and 1970<sup>1</sup>

Principal product, year, and income tax status	Coopera- tives with net savings	Total net savings	Percentage of total net savings distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
<hr/>								
	<i>Number</i>	<i>1,000 dollars</i>	<i>-----Percent-----</i>					
Diversified:								
1976 .....	25	245,497	29.2	42.6	<sup>3</sup>	10.2	4.8	13.2
Section 521 .....	12	67,523	21.7	58.3	<sup>3</sup>	3.7	12.6	3.7
Nonsection 521 .....	13	177,974	32.1	36.6	<sup>3</sup>	12.8	1.8	16.7
1970 .....	<sup>1</sup>	73,000	23.1	45.2	<sup>4</sup>	9.0	12.5	10.2
Cotton and products:								
1976 .....	340	104,353	70.2	23.1	1.8	2.9	.6	1.4
Section 521 .....	246	89,015	72.6	22.7	1.9	1.6	.5	.7
Nonsection 521 .....	94	15,338	57.2	25.0	1.1	9.6	1.0	6.1
1970 .....	<sup>1</sup>	37,000	54.0	43.0	<sup>4</sup>	.2	2.7	.1
Dairy products:								
1976 .....	373	88,058	28.6	57.0	<sup>3</sup>	10.1	1.3	3.0
Section 521 .....	307	49,877	29.0	58.7	<sup>3</sup>	10.7	1.3	.3
Nonsection 521 .....	66	38,181	28.0	54.8	.1	9.2	1.3	6.6
1970 .....	<sup>1</sup>	46,000	33.8	50.3	<sup>4</sup>	8.2	6.4	1.3
Fruits and vegetables:								
1976 .....	296	144,665	79.6	11.7	.8	3.6	1.7	2.6
Section 521 .....	195	76,028	75.5	17.4	1.1	2.6	2.9	.5
Nonsection 521 .....	101	68,637	83.9	5.3	.6	4.8	.4	5.0
1970 .....	<sup>1</sup>	63,000	71.0	20.5	<sup>4</sup>	1.9	5.7	.9
Grain, soybeans, and products:								
1976 .....	1,968	641,547	26.6	53.9	<sup>3</sup>	11.3	1.9	6.3
Section 521 .....	588	123,192	32.5	55.0	.1	6.7	3.1	2.6
Nonsection 521 .....	1,380	518,355	25.2	53.7	<sup>3</sup>	12.5	1.6	7.0
1970 .....	<sup>1</sup>	91,000	25.5	54.1	<sup>4</sup>	10.1	6.2	4.1
Livestock and wool: <sup>5</sup>								
1976 .....	62	8,286	25.2	33.9	.3	30.7	1.9	8.0
Section 521 .....	39	3,749	22.2	25.8	.8	44.8	1.4	5.0
Nonsection 521 .....	23	4,537	28.3	40.1	<sup>3</sup>	18.7	2.2	10.7
1970 .....	<sup>1</sup>	2,000	15.3	35.5	<sup>4</sup>	31.6	9.1	8.5
Poultry products:								
1976 .....	32	18,402	33.5	62.1	.5	2.0	.5	1.4
Section 521 .....	14	9,813	19.7	77.7	<sup>3</sup>	1.7	.9	<sup>3</sup>
Nonsection 521 .....	18	8,589	49.2	44.2	1.2	2.2	.1	3.1
1970 .....	<sup>1</sup>	4,000	29.2	66.5	<sup>4</sup>	1.9	1.9	.5
Rice:								
1976 .....	46	25,666	62.1	26.8	.4	.6	9.8	.3
Section 521 .....	38	24,384	64.6	25.2	<sup>3</sup>	<sup>3</sup>	10.2	<sup>3</sup>
Nonsection 521 .....	8	1,282	14.9	57.7	7.3	12.4	1.5	6.2
1970 .....	<sup>1</sup>	24,000	74.9	16.7	<sup>4</sup>	<sup>3</sup>	6.5	1.9

(Continued)

Table 61—Distribution of net savings by farmer marketing and marketing/supply cooperatives with net savings, by principal products marketed and income tax status of the cooperatives, fiscal years 1976 and 1970—*Continued*

Principal product, year, and income tax status	Coopera- tives with net savings	Total net savings	Percentage of total net savings distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
			----- Percent -----					
			Number	1,000 dollars				
Sugar:								
1976 . . . . .	22	72,411	87.1	4.0	3.0	3.7	1.6	.6
Section 521 . . . . .	8	42,915	96.8	<sup>3</sup>	.3	<sup>3</sup>	2.9	<sup>3</sup>
Nonsection 521 . . . . .	14	29,496	73.0	9.7	6.8	8.9	<sup>3</sup>	1.6
1970 <sup>6</sup> . . . . .	<sup>1</sup>	<sup>6</sup>						
Other products: <sup>7</sup>								
1976 . . . . .	68	18,205	66.3	26.5	.2	2.9	1.0	3.1
Section 521 . . . . .	38	12,299	73.6	25.6	<sup>3</sup>	(0.6)	1.1	.3
Nonsection 521 . . . . .	30	5,906	51.0	28.6	.6	10.0	.9	8.9
1970 . . . . .	<sup>1</sup>	16,000	59.1	22.8	<sup>4</sup>	2.7	13.0	2.4
Total:								
1976 . . . . .	3,232	1,367,090	40.6	41.8	.4	8.8	2.4	6.0
Section 521 . . . . .	1,485	498,795	52.2	37.5	.6	4.3	4.0	1.4
Nonsection 521 . . . . .	1,747	868,295	34.0	44.1	.3	11.5	1.5	8.6
1970 . . . . .	<sup>1</sup>	356,000	41.8	40.8	<sup>4</sup>	6.3	7.4	3.7

<sup>1</sup> Only those cooperatives with net savings for the year are included in this table. Per unit capital retains fixed without reference to net savings are not included. Intercooperative distributions have not been eliminated. Data on number of cooperatives with savings and income tax status were not collected for 1970.

<sup>2</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

<sup>3</sup> Less than 0.05 percent.

<sup>4</sup> Nonqualified allocations were not shown separately in 1970; all 1970 allocations are shown here as qualified.

<sup>5</sup> Excludes livestock shipping associations and county wool pools in 1976.

<sup>6</sup> Data included with other products in 1970.

<sup>7</sup> Includes cooperatives handling the following products in 1976: 12 dry beans and peas, 17 nuts, 18 tobacco, and 28 special crops and miscellaneous products. For 1970, includes: 63 sugar (including 43 sugar beet bargaining), 28 tobacco, 17 nuts, 13 dry beans and peas, and 85 miscellaneous products.

Cooperatives in the Springfield district paid out the lowest percentage of total net savings as patronage refunds on the current year's business (42.6 percent), retained the highest percentage as unallocated reserves (27.3 percent), paid the highest percentage as dividends on equity capital (6.4 percent), and paid the highest percentage as Federal and State income taxes (23.7 percent).

Data for several districts, which are the headquarters for one or more relatively large cooperatives, were highly influenced by the distribution patterns of these large cooperatives (see comparable data for the largest 100 cooperatives in section II).

Table 64 shows the number of cooperatives with net savings for fiscal year 1976 that distributed any savings for the year in specified ways, by both farm credit districts and income tax status of the cooperatives.

Table 62—Number of the 3,232 farmer marketing and marketing/supply cooperatives with net savings that distributed any savings in specified manners, by principal product marketed and income tax status of the cooperatives, fiscal year 1976

Principal product marketed and income tax status	Coopera- tives with net savings	Cooperatives with any net savings distributed as—					
		Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>1</sup>
		Cash	Allocated				
			Qualified	Nonqualified			
----- Number -----							
Diversified . . . . .	25	23	22	1	14	13	12
Section 521 . . . . .	12	11	11	0	4	6	3
Nonsection 521 . . . . .	13	12	11	1	10	7	9
Cotton and products . . . . .	340	313	252	9	107	75	100
Section 521 . . . . .	246	236	198	6	41	44	27
Nonsection 521 . . . . .	94	77	54	3	66	31	73
Dairy products . . . . .	373	303	301	2	85	46	63
Section 521 . . . . .	307	254	263	0	44	34	24
Nonsection 521 . . . . .	66	49	38	2	41	12	39
Fruits and vegetables . . . . .	296	242	115	21	108	38	101
Section 521 . . . . .	195	171	77	13	36	26	34
Nonsection 521 . . . . .	101	71	38	8	72	12	67
Grains, soybeans, and products . . . . .	1,968	1,860	1,782	13	1,502	802	1,416
Section 521 . . . . .	588	542	520	5	309	243	253
Nonsection 521 . . . . .	1,380	1,318	1,262	8	1,193	559	1,163
Livestock and wool <sup>2</sup> . . . . .	62	28	25	1	45	10	29
Section 521 . . . . .	39	17	14	1	26	4	10
Nonsection 521 . . . . .	23	11	11	0	19	6	19
Poultry products . . . . .	32	21	20	1	21	6	17
Section 521 . . . . .	14	10	11	0	5	4	5
Nonsection 521 . . . . .	18	11	9	1	16	2	12
Rice . . . . .	46	41	37	2	7	30	8
Section 521 . . . . .	38	35	31	1	1	27	2
Nonsection 521 . . . . .	8	6	6	1	6	3	6
Sugar . . . . .	22	15	8	2	10	1	11
Section 521 . . . . .	8	3	0	1	4	1	2
Nonsection 521 . . . . .	14	12	8	1	6	0	9
Other products <sup>3</sup> . . . . .	68	56	34	3	28	19	37
Section 521 . . . . .	38	31	16	2	13	13	11
Nonsection 521 . . . . .	30	25	18	1	15	6	26
Total . . . . .	3,232	2,902	2,596	55	1,927	1,040	1,794
Section 521 . . . . .	1,485	1,310	1,141	29	483	402	371
Nonsection 521 . . . . .	1,747	1,592	1,455	26	1,444	638	1,423

<sup>1</sup> Includes both Federal and State taxes; operating statements of many cooperatives do not list them separately.

<sup>2</sup> Excludes livestock shipping associations and county wool pools with small amounts of assets.

<sup>3</sup> Includes cooperatives handling the following products: 12 dry beans and peas, 17 nuts, 18 tobacco, and 28 special crops and miscellaneous products.

**Table 63—Distribution of net savings by 5,127 farmer marketing and supply cooperatives with net savings, by farm credit district and income tax status of the cooperatives, fiscal year 1976<sup>1</sup>**

Farm credit district and income tax status	Coopera- tives with net savings	Total net savings	Percentage of total net savings distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
	<i>Number</i>	<i>1,000 dollars</i>	<i>----- Percent -----</i>					
Springfield . . . . .	187	78,621	30.6	12.0	<sup>3</sup>	27.3	6.4	23.7
Section 521 . . . . .	70	28,055	62.3	27.1	<sup>3</sup>	3.6	6.9	.1
Nonsection 521 . . . . .	117	50,566	13.1	3.6	<sup>3</sup>	40.5	6.0	36.8
Baltimore . . . . .	177	50,378	23.7	42.8	1.2	18.7	5.6	8.0
Section 521 . . . . .	122	23,277	26.5	62.1	.1	5.6	3.6	2.1
Nonsection 521 . . . . .	55	27,101	21.2	26.2	2.2	30.0	7.4	13.0
Columbia . . . . .	144	142,557	57.9	27.7	<sup>3</sup>	4.0	5.8	4.6
Section 521 . . . . .	79	60,228	22.3	55.8	<sup>3</sup>	4.6	13.1	4.2
Nonsection 521 . . . . .	65	82,329	84.0	7.1	<sup>3</sup>	3.5	.5	4.9
Louisville . . . . .	411	144,611	22.5	44.3	.5	17.5	4.1	11.1
Section 521 . . . . .	223	44,924	21.7	47.1	1.7	19.8	5.6	4.1
Nonsection 521 . . . . .	188	99,687	22.9	42.9	.1	16.5	3.3	14.3
New Orleans . . . . .	256	100,140	60.1	29.5	.5	4.8	1.7	3.4
Section 521 . . . . .	172	36,612	36.7	56.3	.5	1.6	3.6	1.3
Nonsection 521 . . . . .	84	63,528	73.6	14.0	.6	6.7	.5	4.6
St. Louis . . . . .	451	409,174	37.9	46.4	.1	6.0	2.0	7.6
Section 521 . . . . .	139	47,133	58.2	29.0	.5	3.2	7.0	2.1
Nonsection 521 . . . . .	312	362,041	35.3	48.7	<sup>3</sup>	6.4	1.3	8.3
St. Paul . . . . .	1,324	266,449	24.9	66.6	.8	4.7	.7	2.3
Section 521 . . . . .	520	74,275	31.0	65.5	<sup>3</sup>	2.0	1.2	.3
Nonsection 521 . . . . .	804	192,174	22.5	67.1	1.0	5.8	.5	3.1
Omaha . . . . .	871	225,958	26.3	57.3	.1	11.2	.7	4.4
Section 521 . . . . .	199	52,136	35.0	53.2	.6	8.3	.8	2.1
Nonsection 521 . . . . .	672	173,822	23.7	58.5	<sup>3</sup>	12.0	.6	5.2
Wichita . . . . .	440	143,009	30.3	55.5	<sup>3</sup>	9.5	1.2	3.5
Section 521 . . . . .	45	5,255	38.8	47.5	<sup>3</sup>	7.6	3.4	2.7
Nonsection 521 . . . . .	395	137,754	30.0	55.9	<sup>3</sup>	9.5	1.1	3.5
Houston . . . . .	303	72,089	40.4	49.5	2.4	4.6	.5	2.6
Section 521 . . . . .	211	45,001	47.4	44.4	3.8	2.8	.5	1.1
Nonsection 521 . . . . .	92	27,088	28.7	58.1	.3	7.7	.4	4.8
Sacramento . . . . .	255	195,505	81.5	13.5	1.3	.9	1.4	1.4
Section 521 . . . . .	200	141,221	85.9	10.4	.4	1.0	1.9	.4
Nonsection 521 . . . . .	55	54,284	70.1	21.7	3.7	.6	.1	3.8
Spokane . . . . .	308	69,181	31.1	46.3	.8	16.1	.7	5.0
Section 521 . . . . .	116	19,822	40.0	50.6	1.7	5.2	1.1	1.4
Nonsection 521 . . . . .	192	49,359	27.5	44.6	.5	20.5	.6	6.3
U.S. total . . . . .	5,127	1,897,672	39.3	44.0	.5	8.4	2.1	5.7
Section 521 . . . . .	2,096	577,939	48.7	40.6	.7	4.5	3.9	1.6
Nonsection 521 . . . . .	3,031	1,319,733	35.2	45.4	.4	10.1	1.4	7.5

<sup>1</sup> Only those cooperatives with net savings for the year are included in this table. Per unit capital retains fixed without reference to net savings are not included. Intercooperative distributions have not been eliminated. Data on number of cooperatives with savings and income tax status were not collected for 1970.

<sup>2</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

<sup>3</sup> Less than 0.05 percent.

Table 64—Number of the 5,127 farmer marketing and supply cooperatives with net savings that distributed any net savings in specified manners, by farm credit districts and income tax status of the cooperatives, fiscal year 1976

Farm credit district and income tax status	Coopera- tives with net savings	Cooperatives with any net savings distributed as—					
		Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes
		Cash	Allocated				
			Qualified	Nonqualified			
-----Number-----							
Springfield . . . . .	187	129	44	0	137	114	125
Section 521 . . . . .	70	41	40	0	24	19	11
Nonsection 521 . . . . .	117	88	4	0	113	95	114
Baltimore . . . . .	177	140	123	6	117	120	112
Section 521 . . . . .	122	104	106	4	76	81	66
Nonsection 521 . . . . .	55	36	17	2	41	39	46
Columbia . . . . .	144	115	88	9	65	22	58
Section 521 . . . . .	79	68	64	1	19	17	11
Nonsection 521 . . . . .	65	47	24	8	46	5	47
Louisville . . . . .	411	324	308	97	381	351	360
Section 521 . . . . .	223	180	173	80	202	189	186
Nonsection 521 . . . . .	188	144	135	17	179	162	174
New Orleans . . . . .	256	231	192	14	117	81	142
Section 521 . . . . .	172	164	142	4	67	37	74
Nonsection 521 . . . . .	84	67	50	10	50	44	68
St. Louis . . . . .	451	409	368	6	362	277	369
Section 521 . . . . .	139	123	104	3	86	86	74
Nonsection 521 . . . . .	312	286	264	3	276	191	295
St. Paul . . . . .	1,324	1,241	1,208	1	694	385	717
Section 521 . . . . .	520	499	500	0	113	161	76
Nonsection 521 . . . . .	804	742	708	1	581	224	641
Omaha . . . . .	871	819	789	7	818	254	677
Section 521 . . . . .	199	183	172	6	166	45	105
Nonsection 521 . . . . .	672	636	617	1	652	209	572
Wichita . . . . .	440	426	404	1	390	62	379
Section 521 . . . . .	45	43	33	0	22	12	16
Nonsection 521 . . . . .	395	383	371	1	368	50	363
Houston . . . . .	303	282	242	6	91	46	83
Section 521 . . . . .	211	200	174	4	27	31	18
Nonsection 521 . . . . .	92	82	68	2	64	15	65
Sacramento . . . . .	255	242	125	13	67	14	66
Section 521 . . . . .	200	189	95	12	28	6	27
Nonsection 521 . . . . .	55	53	30	1	39	8	39
Spokane . . . . .	308	279	244	6	169	54	202
Section 521 . . . . .	116	104	86	1	28	18	35
Nonsection 521 . . . . .	192	175	158	5	141	36	167
U.S. total . . . . .	5,127	4,637	4,135	166	3,408	1,780	3,290
Section 521 . . . . .	2,096	1,898	1,689	115	858	702	699
Nonsection 521 . . . . .	3,031	2,739	2,446	51	2,550	1,078	2,591

## Distribution of Net Losses

Table 65 shows how cooperatives with net operating losses for fiscal year 1976 handled them. Combined net losses for all 560 cooperatives amounted to almost \$54 million.

After payment of dividends on stock and other equity capital amounting to \$375,000 and Federal and State income tax adjustments of \$800,000, these 560 cooperatives had net operating losses of \$53.3 million.

These net losses were handled by the cooperatives as follows: Unallocated reserves were decreased to cover 54 percent of the losses, and the other 46 percent was distributed to patrons on the basis of their patronage for the year, just as net savings would have been distributed. Of the 46 percent allocated to patrons, 29 percent was handled by reducing individual allocated equity accounts, and the remaining 17 percent was charged to patrons by debiting their individual accounts receivable; the members were billed, or the losses were deducted from any final payments due patrons for products.

The 296 cooperatives with net losses in 1976 that operated under section 521 charged more of the losses to individual member-patrons accounts (including allocated equity accounts) and less to unallocated reserves than did the 264 cooperatives without section 521 status. Cooperatives not operating under section 521 status reduced unallocated reserves to account for almost 79 percent of total net losses, compared with 36 percent for the section 521 group.

**Table 65—Distribution of net operating losses by 560 farmer marketing and supply cooperatives with net losses, by major function and income tax status of the cooperatives, fiscal year 1976<sup>1</sup>**

Major function and income tax status	Cooper- atives with net losses	Total net losses	Percentage of total net operating losses distributed as—				
			Patronage refunds on current year's business		Reduction of unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>4</sup>
			Cash <sup>2</sup>	Qualified allocations <sup>3</sup>			
	<i>Number</i>	<i>1,000 dollars</i>	<i>Percent</i>				
Farm supply . . . . .	256	6,985	<sup>5</sup>	29.1	74.6	(4.0)	0.3
Section 521 . . . . .	93	4,468	0	44.7	56.1	(.8)	0
Nonsection 521 . . . . .	163	2,517	.2	1.4	107.3	(9.6)	.7
Marketing . . . . .	208	42,593	21.0	27.2	50.2	(.1)	1.7
Section 521 . . . . .	156	24,925	30.0	37.0	33.1	(.1)	<sup>5</sup>
Nonsection 521 . . . . .	52	17,668	8.3	13.3	74.3	(.1)	4.2
Marketing/supply . . . . .	96	4,133	0	47.7	52.2	(1.4)	1.5
Section 521 . . . . .	47	2,304	0	74.7	27.2	(1.9)	0
Nonsection 521 . . . . .	49	1,829	0	13.4	83.8	(.6)	3.4
Total . . . . .	560	53,711	16.7	29.0	53.5	(.7)	1.5
Section 521 . . . . .	296	31,697	23.6	40.8	35.9	(.3)	<sup>5</sup>
Nonsection 521 . . . . .	264	22,014	6.7	12.0	78.8	(1.2)	3.7

<sup>1</sup> Some of the 560 cooperatives with overall losses had net savings in one or more departments. In some of these cooperatives the patrons of the departments with net savings received cash or allocated patronage refunds even though the cooperative as a total business entity reported a net operating loss.

<sup>2</sup> These charges to members for net operating losses were charged to individual members' accounts, deducted from marketing proceeds due members or the members were billed.

<sup>3</sup> These were charges against members' qualified allocated equity accounts.

<sup>4</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

<sup>5</sup> Less than 0.05 percent.

Table 66—Number of the 560 farmer marketing and supply cooperatives with net operating losses that distributed any losses in specified manners, by major function and income tax status of the cooperatives, fiscal year 1976<sup>1</sup>

Major function and income tax status	Cooperatives with net losses	Cooperatives with net operating losses making any distribution as—			
		Patronage refunds on current year's business		Reduction of unallocated reserves	Dividends and interest on equity capital
		Cash <sup>2</sup>	Qualified allocations <sup>3</sup>		
----- <i>Number</i> -----					
Farm supply . . . . .	256	25	59	209	60
Section 521 . . . . .	93	0	34	60	10
Nonsection 521 . . . . .	163	25	25	149	50
Marketing . . . . .	208	13	45	158	16
Section 521 . . . . .	156	8	41	112	8
Nonsection 521 . . . . .	52	5	4	46	8
Marketing/farm supply . . . . .	96	0	34	62	10
Section 521 . . . . .	47	0	29	18	5
Nonsection 521 . . . . .	49	0	5	44	5
Total . . . . .	560	38	138	429	86
Section 521 . . . . .	296	8	104	190	23
Nonsection 521 . . . . .	264	30	34	239	63

<sup>1</sup> Some of the 560 cooperatives with overall losses had net savings in one or more departments. In some of these cooperatives the patrons of the departments with net savings received cash or allocated patronage refunds even though the cooperative as a total business entity reported a net operating loss.

<sup>2</sup> These charges to members for net operating losses were charged to individual members' accounts, deducted from marketing proceeds due members, or the members were billed.

<sup>3</sup> These were charges against members' qualified allocated equity accounts.

Table 66 shows the number of cooperatives with net operating losses for 1976 that distributed any of their losses in specified ways. Of the 560 cooperatives, 429 reduced unallocated reserves, 138 reduced allocated equity accounts of member-patrons, and 38 charged the losses to individual member-patrons' accounts, billed the member-patrons, or deducted the losses from marketing proceeds due patrons.

Even though nearly 17 percent of total net operating losses were charged to patrons' accounts, less than 7 percent of the 560 cooperatives handled any losses in this manner. Nearly 77 percent of the cooperatives handled losses by reducing unallocated reserves, and 53 percent of the total net losses were handled in this way.

Distribution of net operating losses for fiscal year 1976 by the 560 cooperatives is also shown in table 65 based on major function of the cooperatives.

Of the \$54 million in losses, 208 primarily marketing cooperatives accounted for nearly \$43 million, or 79 percent of the total. The marketing cooperatives were the only group that handled any losses by deducting the losses from marketing proceeds due members. Twenty-one percent of the losses of the marketing cooperatives were handled in this manner. An additional 27 percent was charged against members' allocated equity accounts and 50 percent was deducted from unallocated reserves.

Even though 20 percent of the losses of the 208 marketing cooperatives were handled by deducting the losses from marketing proceeds due members, only 13 of the 208 cooperatives with losses, or 6 percent, handled any of their losses in this manner (table 66).

Tables 67 and 68 provide data on handling of losses by 304 marketing and marketing/farm supply cooperatives with net operating losses for fiscal year 1976 by principal product marketed and by income tax status of the cooperatives.

Table 67—Distribution of net operating losses by 304 farmer marketing and marketing/supply cooperatives with net losses, by principal product marketed and income tax status of the cooperatives, fiscal year 1976<sup>1</sup>

Principal product marketed and income tax status	Cooper- atives with net losses	Total net losses	Percentage of total net operating losses distributed as—				
			Patronage refunds on current year's business		Reduction of unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>4</sup>
			Cash <sup>2</sup>	Qualified allocations <sup>3</sup>			
	<i>Number</i>	<i>1,000 dollars</i>	<i>-----Percent-----</i>				
Diversified . . . . .	3	21	0	1.6	98.4	0	0
Section 521 . . . . .	2	17	0	2.0	98.0	0	0
Nonsection 521 . . . . .	1	4	0	0	100.0	0	0
Cotton and products . . . . .	55	7,860	(14.7)	33.4	81.5	(0.2)	0
Section 521 . . . . .	44	1,970	5.3	17.7	78.0	(1.0)	0
Nonsection 521 . . . . .	11	5,890	(21.4)	38.7	82.7	0	0
Dairy products . . . . .	65	13,187	36.4	16.9	46.7	<sup>s</sup>	<sup>s</sup>
Section 521 . . . . .	57	12,570	38.2	17.4	44.4	<sup>s</sup>	0
Nonsection 521 . . . . .	8	617	0	6.2	95.1	(.3)	(1.0)
Fruits and vegetables . . . . .	43	7,343	45.5	17.0	27.5	(.1)	10.1
Section 521 . . . . .	32	4,230	60.9	29.4	9.8	<sup>s</sup>	(.1)
Nonsection 521 . . . . .	11	3,113	24.6	0	51.6	(.1)	23.9
Grains, soybeans and products . . . . .	100	4,167	0	41.8	58.0	(1.3)	1.5
Section 521 . . . . .	46	2,199	0	67.9	33.9	(1.8)	0
Nonsection 521 . . . . .	54	1,969	0	12.5	84.9	(.6)	3.2
Livestock and wool <sup>6</sup> . . . . .	15	888	0	10.2	90.4	0	(.6)
Section 521 . . . . .	10	558	0	16.3	83.7	0	0
Nonsection 521 . . . . .	5	330	0	0	101.8	0	(1.8)
Poultry products . . . . .	5	800	0	0	100.2	(.8)	.6
Section 521 . . . . .	1	57	0	0	100.0	0	0
Nonsection 521 . . . . .	4	743	0	0	100.2	(.9)	.7
Rice . . . . .	4	8	0	0	100.0	0	0
Nonsection 521 . . . . .	4	8	0	0	100.0	0	0
Sugar . . . . .	7	12,387	15.8	45.2	39.0	0	0
Section 521 . . . . .	4	5,563	0	99.9	.1	0	0
Nonsection 521 . . . . .	3	6,824	28.7	.6	70.7	0	0
Other products <sup>7</sup> . . . . .	7	65	0	13.8	86.2	0	0
Section 521 . . . . .	7	65	0	13.8	86.2	0	0
Total . . . . .	304	46,726	19.1	29.0	50.4	(.2)	1.7
Section 521 . . . . .	203	27,229	27.5	40.1	32.6	(.2)	<sup>s</sup>
Nonsection 521 . . . . .	101	19,497	7.5	13.4	75.2	(.2)	4.1

<sup>1</sup> Some of the 304 cooperatives with overall losses had net savings in one or more departments. In some of these cooperatives the patrons of the departments with net savings received cash or allocated patronage refunds even though the cooperative as a total business entity reported a net operating loss.

<sup>2</sup> These charges to members for net operating losses were charged to individual members' accounts, deducted from marketing proceeds due members or the members were billed.

<sup>3</sup> These were charges against members' qualified allocated equity accounts.

<sup>4</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

<sup>5</sup> Less than 0.05 percent.

<sup>6</sup> Excludes livestock shipping associations and county wool pools with small amounts of assets.

<sup>7</sup> Includes cooperatives handling the following products: 1 nuts, 3 tobacco, and 3 other farm products.

Table 68—Number of the 304 farmer marketing and marketing/supply cooperatives with net losses that distributed any losses in specified manners, by principal product marketed and income tax status of the cooperatives, fiscal year 1976<sup>1</sup>

Principal product marketed and income tax status	Cooperatives with net losses	Cooperatives with net operating losses making any distribution as—			
		Patronage refunds on current year's business		Reduction of unallocated reserves	Dividends and interest on equity capital
		Cash <sup>2</sup>	Qualified allocations <sup>3</sup>		
----- Number -----					
Diversified . . . . .	3	0	1	2	0
Section 521 . . . . .	2	0	1	1	0
Nonsection 521 . . . . .	1	0	0	1	0
Cotton and products . . . . .	55	2	22	34	5
Section 521 . . . . .	44	1	21	23	5
Nonsection 521 . . . . .	11	1	1	11	0
Dairy products . . . . .	65	5	20	44	3
Section 521 . . . . .	57	5	19	37	2
Nonsection 521 . . . . .	8	0	1	7	1
Fruits and vegetables . . . . .	43	4	9	30	5
Section 521 . . . . .	32	2	8	23	2
Nonsection 521 . . . . .	11	2	1	7	3
Grains, soybeans, and products . . . . .	100	0	21	79	11
Section 521 . . . . .	46	0	16	30	3
Nonsection 521 . . . . .	54	0	5	49	8
Livestock and wool <sup>4</sup> . . . . .	15	0	3	12	1
Section 521 . . . . .	10	0	3	7	1
Nonsection 521 . . . . .	5	0	0	5	0
Poultry products . . . . .	5	0	0	5	1
Section 521 . . . . .	1	0	0	1	0
Nonsection 521 . . . . .	4	0	0	4	1
Rice . . . . .	4	0	0	4	0
Section 521 . . . . .	0	—	—	—	—
Nonsection 521 . . . . .	4	0	0	4	0
Sugar . . . . .	7	2	2	5	0
Section 521 . . . . .	4	0	1	3	0
Nonsection 521 . . . . .	3	2	1	2	0
Other products <sup>5</sup> . . . . .	7	0	2	5	0
Section 521 . . . . .	7	0	2	5	0
Nonsection 521 . . . . .	0	—	—	—	—
Total . . . . .	304	13	80	220	26
Section 521 . . . . .	203	8	71	130	13
Nonsection 521 . . . . .	101	5	9	90	13

<sup>1</sup> Some of the 304 cooperatives with overall losses had net savings in one or more departments. In some of these cooperatives the patrons of the departments with net savings received cash or allocated patronage refunds even though the cooperative as a total business entity reported a net operating loss.

<sup>2</sup> These charges to members for net operating losses were charged to individual members' accounts, deducted from marketing proceeds due members, or the members were billed.

<sup>3</sup> These were charges against members' qualified allocated equity accounts.

<sup>4</sup> Excludes livestock shipping associations and county wool pools with small amounts of assets.

<sup>5</sup> Includes cooperatives handling the following products: 1 nuts, 3 tobacco, and 3 other farm products.

Table 69—Distribution of net operating losses by 560 farmer marketing and supply cooperatives with net losses, by farm credit districts and income tax status of the cooperatives, fiscal year 1976<sup>1</sup>

Farm credit district and income tax status	Cooper- atives with net losses	Total net losses	Percentage of total net operating losses distributed as—				
			Patronage refunds on current year's business		Reduction of unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>4</sup>
			Cash <sup>2</sup>	Qualified allocations <sup>3</sup>			
	<i>Number</i>	<i>1,000 dollars</i>	<i>Percent</i>				
Springfield . . . . .	79	9,417	59.8	25.1	17.1	(2.3)	0.3
Section 521 . . . . .	26	7,755	66.1	30.6	3.3	0	0
Nonsection 521 . . . . .	53	1,662	30.4	0	81.0	(13.0)	1.6
Baltimore . . . . .	25	2,162	0	<sup>s</sup>	100.6	(.8)	.2
Section 521 . . . . .	15	2,045	0	<sup>s</sup>	100.0	0	0
Nonsection 521 . . . . .	10	117	0	0	110.2	(14.4)	4.2
Columbia . . . . .	53	9,003	22.1	22.7	55.6	(.5)	.1
Section 521 . . . . .	48	2,468	0	82.8	19.0	(1.6)	(.2)
Nonsection 521 . . . . .	5	6,535	30.4	0	69.4	0	.2
Louisville . . . . .	25	3,249	0	8.5	93.1	(1.4)	(.2)
Section 521 . . . . .	14	1,615	0	17.2	85.3	(2.5)	0
Nonsection 521 . . . . .	11	1,634	0	0	100.8	(.3)	(.5)
New Orleans . . . . .	14	645	(4.2)	36.6	67.6	0	0
Section 521 . . . . .	8	236	0	83.0	17.0	0	0
Nonsection 521 . . . . .	6	409	(6.6)	9.8	96.8	0	0
St. Louis . . . . .	32	578	0	<sup>s</sup>	101.5	(1.4)	(.1)
Section 521 . . . . .	8	96	0	.3	99.7	0	0
Nonsection 521 . . . . .	24	482	0	0	101.8	(1.6)	(.2)
St. Paul . . . . .	139	10,586	0	60.1	39.5	(.2)	.6
Section 521 . . . . .	83	9,830	0	64.6	35.4	<sup>s</sup>	0
Nonsection 521 . . . . .	56	756	0	.5	93.5	(2.0)	8.0
Omaha . . . . .	50	1,484	0	47.9	52.1	0	0
Section 521 . . . . .	15	841	0	55.2	44.8	0	0
Nonsection 521 . . . . .	35	643	0	38.3	61.7	0	0
Wichita . . . . .	30	600	0	21.0	80.3	(.3)	(1.0)
Section 521 . . . . .	12	209	0	42.3	57.7	0	0
Nonsection 521 . . . . .	18	391	0	9.7	92.3	(.5)	(1.5)
Houston . . . . .	56	7,294	(17.3)	37.4	80.3	(.4)	0
Section 521 . . . . .	40	1,183	0	35.2	66.4	(1.6)	0
Nonsection 521 . . . . .	16	6,111	(20.7)	37.8	83.0	(.1)	0
Sacramento . . . . .	22	5,287	1.0	12.3	72.8	0	13.9
Section 521 . . . . .	17	2,719	(8.0)	24.0	84.0	0	0
Nonsection 521 . . . . .	5	2,568	10.5	0	60.9	0	28.6
Spokane . . . . .	35	3,406	75.6	2.0	22.5	0	(.1)
Section 521 . . . . .	10	2,700	95.5	2.5	2.0	0	0
Nonsection 521 . . . . .	25	706	0	0	100.5	0	(.5)
U.S. total . . . . .	560	53,711	16.7	29.0	53.5	(.7)	1.5
Section 521 . . . . .	296	31,697	23.6	40.8	35.9	(.3)	<sup>s</sup>
Nonsection 521 . . . . .	264	22,014	6.6	12.0	78.9	(1.2)	3.7

<sup>1</sup> Some of the 560 cooperatives with overall losses had net savings in one or more departments. In some of these cooperatives the patrons of the departments with net savings received cash or allocated patronage refunds even though the cooperative as a total business entity reported a net operating loss.

<sup>2</sup> These charges to members for net operating losses were charged to individual members' accounts, deducted from marketing proceeds due members or the members were billed.

<sup>3</sup> These were charges against members' qualified allocated equity accounts.

<sup>4</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

<sup>5</sup> Less than 0.05 percent.

Table 70—Number of the 560 farmer marketing and supply cooperatives with net operating losses that distributed any losses in specified manners, by farm credit districts and income tax status of the cooperatives, fiscal year 1976<sup>1</sup>

Farm credit district and income tax status	Cooper- atives with net losses	Cooperatives with net operating losses making any distribution as—			
		Patronage refunds on current year's business		Reduction of unallocated reserves	Dividends and interest on equity capital
		Cash <sup>2</sup>	Qualified allocations <sup>3</sup>		
----- <i>Number</i> -----					
Springfield . . . . .	79	28	7	69	46
Section 521 . . . . .	26	2	7	17	0
Nonsection 521 . . . . .	53	26	0	52	46
Baltimore . . . . .	25	0	4	21	4
Section 521 . . . . .	15	0	4	11	0
Nonsection 521 . . . . .	10	0	0	10	4
Columbia . . . . .	53	1	35	18	12
Section 521 . . . . .	48	0	34	14	12
Nonsection 521 . . . . .	5	1	1	4	0
Louisville . . . . .	25	0	1	24	6
Section 521 . . . . .	14	0	1	13	3
Nonsection 521 . . . . .	11	0	0	11	3
New Orleans . . . . .	14	1	6	8	0
Section 521 . . . . .	8	0	5	3	0
Nonsection 521 . . . . .	6	1	1	5	0
St. Louis . . . . .	32	0	1	31	6
Section 521 . . . . .	8	0	1	7	0
Nonsection 521 . . . . .	24	0	0	24	6
St. Paul . . . . .	139	0	36	113	3
Section 521 . . . . .	83	0	15	68	2
Nonsection 521 . . . . .	56	0	21	45	1
Omaha . . . . .	50	0	10	40	0
Section 521 . . . . .	15	0	5	10	0
Nonsection 521 . . . . .	35	0	5	30	0
Wichita . . . . .	30	0	6	25	1
Section 521 . . . . .	12	0	5	8	0
Nonsection 521 . . . . .	18	0	1	17	1
Houston . . . . .	56	1	24	33	7
Section 521 . . . . .	40	0	19	21	5
Nonsection 521 . . . . .	16	1	5	12	2
Sacramento . . . . .	22	6	7	14	1
Section 521 . . . . .	17	5	7	10	1
Nonsection 521 . . . . .	5	1	0	4	0
Spokane . . . . .	35	1	1	33	0
Section 521 . . . . .	10	1	1	8	0
Nonsection 521 . . . . .	25	0	0	25	0
U.S. total . . . . .	560	38	138	429	86
Section 521 . . . . .	296	8	104	190	23
Nonsection 521 . . . . .	264	30	34	239	63

<sup>1</sup> Some of the 560 cooperatives with overall losses had net savings in one or more departments. In some of these cooperatives, the patrons of the departments with net savings received cash or allocated patronage refunds even though the cooperative as a total business entity reported a net operating loss.

<sup>2</sup> These charges to members for net operating losses were charged to individual members' accounts, deducted from marketing proceeds due members, or the members were billed.

<sup>3</sup> These were charges against members' qualified allocated equity accounts.

Only 13, or 4 percent, of the 304 cooperatives charged any operating losses to the accounts of individual patrons, but 19 percent of the total losses of \$47 million were handled in this manner. Four cooperatives handling fruits and vegetables, 5 handling dairy products, and 2 handling sugar products distributed their losses to patrons accounts or deducted them from marketing proceeds due patrons for products.

Detailed information on the distribution of net operating losses by the 560 marketing and farm supply cooperatives with losses for fiscal year 1976 is shown in tables 69 and 70 by farm credit districts and income tax status of the cooperatives.

Net operating losses ranged from a low of \$578,000 for 32 cooperatives headquartered in the St. Louis district to a high of over \$9 million for 79 cooperatives located in the Springfield district. Total losses, as well as distribution patterns, were heavily influenced by a very few large cooperatives in many of the districts (see comparable data for the largest 100 cooperatives in section II).

## **Per Unit Capital Retains**

Per unit capital retains are investments, fixed without reference to net margins, made by patrons of cooperatives in compliance with a bylaw provision or membership agreement. The agreement generally authorizes the cooperative to make a specified deduction for capital purposes from proceeds due patrons or from advances made to patrons based on physical units handled or a percentage of sales returns. For example, a citrus marketing cooperative using the capital or per unit retain method of financing may retain 5 cents per box of fruit from marketing proceeds due member-patrons. The amount retained is allocated to the equity accounts of member-patrons and the members are notified. If the allocation is qualified, the members must take it into consideration in determining their taxable income currently. If it is nonqualified the cooperative must include the amount of the retain in its current taxable income, and when it redeems the retains in cash at a later date, the cooperative may deduct the amount paid. Per unit capital retains allocated to members are handled for Federal income tax purposes the same as allocated patronage refunds issued by cooperatives from net margins or savings.

Only per unit retains used by cooperatives for clearly defined capital purposes, rather than those deductions used to cover operating expenses, such as operating check-offs made by many bargaining cooperatives, were included as per unit capital retains for this study.

Only 270 of the 5,795 agricultural marketing and supply cooperatives made authorized deductions in the form of per unit capital retains during fiscal year 1976 (table 71). Total per unit capital retains for the year amounted to \$129.3 million. This compares with total per unit capital retains of \$78 million during 1970. Of the \$129.3 million for 1976, \$88 million was retained by 35 of the largest 100 cooperatives.

As previously stated in the equity capital section of this report, 12.2 percent of total allocated equity capital of the 5,795 cooperatives outstanding at the close of fiscal year 1976 was acquired by the per unit retain route. As shown in table 37, 306 cooperatives had outstanding equity capital acquired in this manner. However, 36 percent of the equity capital of all 1,674 primarily marketing cooperatives was acquired as per unit capital retains, and almost 72 percent of the equity capital of the 364 cooperatives marketing fruits and vegetables.

Table 72—Per unit capital retains deducted from proceeds due patrons by 267 marketing and marketing/supply cooperatives, by principal product marketed and income tax status of the cooperatives, during fiscal year 1976

Principal product marketed and income tax status	Cooperatives		Per unit capital retains deducted
	Total	Deducting any per unit capital retains	
----- Number -----			1,000 dollars
Diversified . . . . .	28	4	863
Section 521 . . . . .	14	3	854
Nonsection 521 . . . . .	14	1	9
Cotton and products . . . . .	401	6	5,226
Section 521 . . . . .	296	6	5,226
Nonsection 521 . . . . .	105	0	0
Fruits and vegetables . . . . .	364	163	49,142
Section 521 . . . . .	242	123	31,476
Nonsection 521 . . . . .	122	40	17,666
Grain . . . . .	2,074	12	3,413
Section 521 . . . . .	635	11	2,973
Nonsection 521 . . . . .	1,439	1	440
Livestock and wool . . . . .	97	3	59
Section 521 . . . . .	67	2	39
Nonsection 521 . . . . .	30	1	20
Dairy products . . . . .	459	39	35,262
Section 521 . . . . .	386	24	16,318
Nonsection 521 . . . . .	73	15	18,944
Poultry products . . . . .	37	8	1,007
Section 521 . . . . .	15	2	211
Nonsection 521 . . . . .	22	6	796
Rice . . . . .	50	4	10,981
Section 521 . . . . .	38	4	10,981
Nonsection 521 . . . . .	12	0	0
Sugar . . . . .	46	8	10,028
Section 521 . . . . .	29	3	3,702
Nonsection 521 . . . . .	17	5	6,326
Dry beans . . . . .	12	6	288
Section 521 . . . . .	6	4	218
Nonsection 521 . . . . .	6	2	70
Nuts . . . . .	17	5	11,000
Section 521 . . . . .	13	4	10,892
Nonsection 521 . . . . .	4	1	108
Tobacco . . . . .	18	0	0
Section 521 . . . . .	14	0	0
Nonsection 521 . . . . .	4	0	0
Other . . . . .	28	9	1,899
Section 521 . . . . .	12	6	1,034
Nonsection 521 . . . . .	16	3	865
Total . . . . .	3,631	267	129,168
Section 521 . . . . .	1,767	192	83,924
Nonsection 521 . . . . .	1,864	75	45,244

Table 71—Per unit capital retains deducted from proceeds due patrons by 270 farmer marketing and supply cooperatives, by major function and income tax status of the cooperatives, during fiscal year 1976

Major function and income tax status	Cooperatives		Per unit capital retains deducted
	Total	Deducting any per unit capital retains	
	----- Number -----		1,000 dollars
Farm supply . . . . .	2,164	3	82
Section 521 . . . . .	708	2	19
Nonsection 521 . . . . .	1,456	1	63
Marketing . . . . .	1,674	229	124,502
Section 521 . . . . .	1,135	168	81,311
Nonsection 521 . . . . .	539	61	43,191
Marketing/supply . . . . .	1,957	38	4,666
Section 521 . . . . .	632	24	2,614
Nonsection 521 . . . . .	1,325	14	2,052
Total . . . . .	5,795	270	129,250
Section 521 . . . . .	2,475	194	83,944
Nonsection 521 . . . . .	3,320	76	45,306

Per unit capital retains are insignificant with farm supply cooperatives and with marketing cooperatives handling some farm products, as indicated by the data presented in tables 71 and 72, and in the equity capital section of this report. It is most popular with cooperatives operating on a pool basis. For example, nearly 3 out of every 4 dollars of total equity capital of fruit and vegetable cooperatives was acquired by deducting per unit capital retains, compared with only 1 percent of total equity capital of grain cooperatives. The capital retain method is used extensively by marketing cooperatives operating on the West Coast and in Florida, but is not very popular with cooperatives in the Midwest (table 73).

Capital retain financing is used primarily by cooperatives marketing fruits and vegetables and dairy products. These two groups combined accounted for \$84.3 million of the \$129.2 million retained during fiscal year 1976.

Table 73—Per unit capital retains deducted from proceeds due patrons by 270 farmer marketing and supply cooperatives, by farm credit district and income tax status of the cooperatives, during fiscal year 1976

Farm credit district and income tax status	Cooperatives		Per unit capital retains deducted
	Total	Deducting any per unit capital retains	
	-----Number-----		1,000 dollars
Springfield . . . . .	278	5	6,144
Section 521 . . . . .	107	4	6,134
Nonsection 521 . . . . .	171	1	10
Baltimore . . . . .	208	6	505
Section 521 . . . . .	144	5	486
Nonsection 521 . . . . .	64	1	19
Columbia . . . . .	204	43	10,902
Section 521 . . . . .	129	14	900
Nonsection 521 . . . . .	75	29	10,002
Louisville . . . . .	452	7	7,439
Section 521 . . . . .	251	3	6,523
Nonsection 521 . . . . .	201	4	916
New Orleans . . . . .	272	5	672
Section 521 . . . . .	181	4	232
Nonsection 521 . . . . .	91	1	440
St. Louis . . . . .	490	15	12,888
Section 521 . . . . .	150	14	7,550
Nonsection 521 . . . . .	340	1	5,338
St. Paul . . . . .	1,474	3	4,643
Section 521 . . . . .	611	2	1,629
Nonsection 521 . . . . .	863	1	3,014
Omaha . . . . .	930	3	2,448
Section 521 . . . . .	219	3	2,448
Nonsection 521 . . . . .	711	0	0
Wichita . . . . .	473	3	41
Section 521 . . . . .	60	1	30
Nonsection 521 . . . . .	413	2	11
Houston . . . . .	368	7	16,078
Section 521 . . . . .	256	6	8,630
Nonsection 521 . . . . .	112	1	7,448
Sacramento . . . . .	287	147	60,167
Section 521 . . . . .	227	121	44,595
Nonsection 521 . . . . .	60	26	15,572
Spokane . . . . .	359	26	7,323
Section 521 . . . . .	140	17	4,787
Nonsection 521 . . . . .	219	9	2,536
U.S. total . . . . .	5,795	270	129,250
Section 521 . . . . .	2,475	194	83,944
Nonsection 521 . . . . .	3,320	76	45,306



## SECTION II.

### THE ONE HUNDRED LARGEST COOPERATIVES

The 100 largest cooperatives are considered separately in this report because of their tremendous significance to the total financial picture of farmer cooperatives. They represented only 1.7 percent of the total number of marketing and supply cooperatives operating in 1976, but they accounted for 56 percent of the total business transacted, 55 percent of total assets, 45 percent of equity capital, and 67 percent of borrowed capital.

Comparable data for the 100 largest cooperatives for 1962, 1970, and 1976 are presented. However, the cooperatives included are not all the same cooperatives for each of the 3 survey years. The largest cooperatives in 1976 and the largest in 1970 were included rather than the same cooperatives each year. A separate report for the 100 largest cooperatives was not published for 1962, but 1962 data were available for 97 of the 100 largest cooperatives included in 1970, and data for these 97 are included in this report. Adjustments have been made in the data for 1962 and 1970 where necessary due to mergers and consolidations between surveys to make the information for earlier years conform with the 1976 status of the cooperatives.

Selection of the 100 largest cooperatives was not based on a sampling procedure. They were selected using the entire universe based on sales volume of all cooperatives. But since this is a finance study, all those with total assets in 1976 of less than \$10 million were excluded. For 1970, those with assets of less than \$5 million were excluded. This selection process excluded from the 100 largest group primarily those marketing cooperatives involved mainly in bargaining activities and sales agencies operating on a commission basis with limited capital requirements.

Some of the 100 largest cooperatives were federated, some were centralized, and some had both individual farmers and other cooperatives as members. Some could be called regionals, some locals, and a few interregionals.

All of the figures in this section of this report are gross figures. There is considerable duplication because neither intercooperative business nor intercooperative investments have been eliminated from the totals. Some net figures have been provided, however, in section I of this report covering all marketing and supply cooperatives, including the 100 largest.

Sixty of the 100 largest cooperatives were engaged primarily in marketing farm products, 14 were providing producers with farm supplies, and 26 were performing both these functions. Table 74 shows basic 1976 financial information for the 100 largest cooperatives, compared with that for all 5,795 farmer marketing and supply cooperatives, by major function of the cooperatives.

Table 75 shows comparable data for the 86 cooperatives engaged in marketing, by major products marketed. All data shown on the basis of farm products marketed include cooperatives engaged strictly in marketing and those engaged in both marketing and selling farm supplies.

Table 74—Financial significance of the 100 largest farmer marketing and supply cooperatives to all such cooperatives, classified by major function, based on basic financial and tax characteristics at the close of fiscal year 1976<sup>1</sup>

Major functions and income tax status	Cooperatives		Sales and other operating income		Assets		Equity capital		Borrowed capital	
	Top 100	Total	Top 100	Total	Top 100	Total	Top 100	Total	Top 100	Total
	<i>Number</i>		<i>Million dollars</i>							
Farm supply .....	14	2,164	3,338	7,353	2,303	4,234	996	2,143	820	1,199
Section 521 .....	0	708	0	1,289	0	635	0	370	<sup>2</sup>	<sup>2</sup>
Nonsection 521 .....	14	1,456	3,338	6,064	2,303	3,599	996	1,773	<sup>2</sup>	<sup>2</sup>
Marketing .....	60	1,674	14,941	22,365	3,724	6,482	1,117	2,268	1,517	2,300
Section 521 .....	30	1,135	5,268	9,541	1,671	3,346	450	1,153	<sup>2</sup>	<sup>2</sup>
Nonsection 521 .....	30	539	9,673	12,824	2,053	3,136	667	1,115	<sup>2</sup>	<sup>2</sup>
Marketing/farm supply .....	26	1,957	10,985	22,094	4,233	7,838	1,379	3,316	1,799	2,650
Section 521 .....	6	632	1,426	4,446	544	1,516	214	752	<sup>2</sup>	<sup>2</sup>
Nonsection 521 .....	20	1,325	9,559	17,648	3,689	6,322	1,165	2,564	<sup>2</sup>	<sup>2</sup>
Total .....	100	5,795	29,264	51,812	10,260	18,554	3,492	7,727	4,136	6,149
Section 521 .....	36	2,475	6,694	15,276	2,215	5,497	664	2,275	<sup>2</sup>	<sup>2</sup>
Nonsection 521 .....	64	3,320	22,570	36,536	8,045	13,057	2,828	5,452	<sup>2</sup>	<sup>2</sup>

<sup>1</sup> These are gross figures. Neither intercooperative business nor intercooperative investments have been eliminated.

<sup>2</sup> Data were not tabulated separately for borrowed capital based on tax status of the cooperatives.

The 11 diversified cooperatives listed in table 75 were engaged in both marketing and supply functions and their marketing functions were too highly diversified for them to be classified by a single product. These 11 cooperatives accounted for approximately 98 percent of the combined assets used by all 28 cooperatives in this highly diversified group. The 21 grain marketing cooperatives in the 100 largest group, on the other hand, accounted for only 1 percent of the 2,074 cooperatives marketing grain in 1976, but accounted for over a third of the combined assets of the 2,074 grain cooperatives.

Table 76 provides basic 1976 financial data by farm credit districts for the 100 largest cooperatives, compared with that for all cooperatives. Twenty-three of the 100 cooperatives were headquartered in the Sacramento farm credit district, and the St. Louis and the St. Paul districts each had 13. In order to assure that data for individual cooperatives would not be revealed, the six cooperatives with headquarters located in the Omaha and the Wichita districts were combined for this section of this report.

Cooperatives included in the 100 largest group accounted for only 21 percent of the total assets of the 1,403 cooperatives located in the Omaha-Wichita districts, for 32 percent of total assets of the 359 in the Spokane district, but for as much as 73, 74, and 80 percent of total assets of all the cooperatives located in the Sacramento, Springfield, and St. Louis districts, respectively.

Tables 74, 75, and 76 also show basic 1976 financial data based on Federal income tax status of the 100 largest cooperatives, compared with all 5,795 cooperatives.

Only 36 the 100 largest cooperatives qualified and filed with IRS as section 521 cooperatives in 1976, compared with 62 in 1970. Of all 5,795 cooperatives, 2,475, or 43 percent, had section 521 status in 1976. The tax status of all cooperatives in 1970 is not available.

**Table 75—Financial significance of the 86 largest farmer marketing and marketing/supply cooperatives to all marketing and marketing/supply cooperatives, by principal products marketed, based on basic financial characteristics at the close of fiscal year 1976<sup>1</sup>**

Principal product marketed and income tax status	Cooperatives		Sales and other operating income		Assets		Equity capital		Borrowed capital	
	Top 86	Total	Top 86	Total	Top 86	Total	Top 86	Total	Top 86	Total
	<i>Number</i>		<i>----- Million dollars -----</i>							
Diversified . . . . .	11	28	6,507	6,637	2,881	2,935	886	910	1,290	1,311
Section 521 . . . . .	4	14	1,299	1,405	499	542	193	212	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	7	14	5,208	5,232	2,382	2,393	693	698	<sup>2</sup>	<sup>2</sup>
Cotton and cotton products . .	5	401	771	1,346	256	691	46	264	157	297
Section 521 . . . . .	4	296	694	1,135	227	579	45	213	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	1	105	77	211	29	112	1	51	<sup>2</sup>	<sup>2</sup>
Dairy products . . . . .	22	459	5,479	8,048	1,069	1,646	332	583	300	371
Section 521 . . . . .	11	386	2,160	4,050	468	904	108	302	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	11	73	3,319	3,998	601	742	224	281	<sup>2</sup>	<sup>2</sup>
Fruits and vegetables . . . . .	15	364	1,932	3,345	1,037	1,889	232	581	557	835
Section 521 . . . . .	7	242	1,007	1,905	489	1,020	115	350	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	8	122	925	1,440	548	869	117	231	<sup>2</sup>	<sup>2</sup>
Grain, soybeans, and products .	21	2,074	9,553	22,172	1,976	5,717	719	2,682	769	1,626
Section 521 . . . . .	2	635	329	3,829	114	1,059	44	538	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	19	1,439	9,224	18,343	1,862	4,658	675	2,144	<sup>2</sup>	<sup>2</sup>
Poultry products . . . . .	3	37	269	712	49	168	21	82	19	53
Section 521 . . . . .	1	15	71	197	17	52	13	37	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	2	22	198	515	32	116	8	45	<sup>2</sup>	<sup>2</sup>
Rice . . . . .	4	50	579	626	158	228	53	88	62	88
Section 521 . . . . .	4	38	579	617	158	219	53	82	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	0	12	0	9	0	9	0	6	<sup>2</sup>	<sup>2</sup>
Livestock and wool . . . . .	0	97	0	235	0	114	0	57	0	22
Section 521 . . . . .	0	67	0	70	0	70	0	28	0	<sup>2</sup>
Nonsection 521 . . . . .	0	30	0	165	0	44	0	29	0	<sup>2</sup>
Other products <sup>3</sup> . . . . .	5	121	836	1,338	532	932	207	337	162	347
Section 521 . . . . .	3	74	555	779	244	417	93	143	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	2	47	281	559	288	515	114	194	<sup>2</sup>	<sup>2</sup>
Total . . . . .	86	3,631	25,926	44,459	7,958	14,320	2,496	5,584	3,316	4,950
Section 521 . . . . .	36	1,767	6,694	13,987	2,216	4,862	664	1,905	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	50	1,864	19,232	30,472	5,742	9,458	1,832	3,679	<sup>2</sup>	<sup>2</sup>

<sup>1</sup> These are gross figures. Neither intercooperative business nor intercooperative investments have been eliminated.

<sup>2</sup> Data were not tabulated separately for borrowed capital based on tax status of the cooperatives.

<sup>3</sup> Includes cooperatives marketing sugar products, dry beans and peas, nuts, tobacco and other miscellaneous products.

Table 76—Financial significance of the 100 largest farmer marketing and supply cooperatives to all such cooperatives, by farm credit districts, based on basic financial and tax characteristics at the close of fiscal year 1976<sup>1</sup>

Farm credit districts and income tax status	Cooperatives		Sales and other operating income		Assets		Equity capital		Borrowed capital	
	Top 100	Total	Top 100	Total	Top 100	Total	Top 100	Total	Top 100	Total
	<i>Number</i>		<i>----- Million dollars -----</i>							
Springfield . . . . .	5	278	2,344	3,278	840	1,139	202	316	339	426
Section 521 . . . . .	4	107	928	1,408	308	463	23	77	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	1	171	1,416	1,870	532	676	179	239	<sup>2</sup>	<sup>2</sup>
Baltimore . . . . .	5	208	684	1,173	254	500	107	236	86	148
Section 521 . . . . .	3	144	283	598	69	220	23	105	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	2	64	401	575	185	280	84	131	<sup>2</sup>	<sup>2</sup>
Columbia . . . . .	9	204	1,748	2,770	713	1,139	256	422	302	437
Section 521 . . . . .	2	129	988	1,379	366	521	152	230	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	7	75	760	1,391	347	618	104	192	<sup>2</sup>	<sup>2</sup>
Louisville . . . . .	9	452	2,882	5,058	729	1,371	278	606	236	414
Section 521 . . . . .	2	251	716	1,614	153	448	65	227	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	7	201	2,166	3,444	576	923	213	379	<sup>2</sup>	<sup>2</sup>
New Orleans . . . . .	3	272	530	1,377	477	841	171	345	199	292
Section 521 . . . . .	2	181	311	815	133	337	41	146	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	1	91	219	562	344	504	130	199	<sup>2</sup>	<sup>2</sup>
St. Louis . . . . .	13	490	6,390	8,924	2,880	3,586	917	1,286	1,324	1,499
Section 521 . . . . .	2	150	463	1,140	156	346	44	137	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	11	340	5,927	7,784	2,724	3,240	873	1,149	<sup>2</sup>	<sup>2</sup>
St. Paul . . . . .	13	1,474	4,604	8,671	1,647	3,300	707	1,580	516	832
Section 521 . . . . .	5	611	606	2,422	122	784	45	371	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	8	863	3,998	6,249	1,525	2,516	662	1,209	<sup>2</sup>	<sup>2</sup>
Omaha and Wichita . . . . .	6	1,403	3,535	10,273	620	2,978	250	1,563	218	762
Section 521 . . . . .	0	279	—	1,228	0	426	0	230	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	6	1,124	3,535	9,045	620	2,552	250	1,333	<sup>2</sup>	<sup>2</sup>
Houston . . . . .	7	368	2,495	3,366	375	877	126	379	140	312
Section 521 . . . . .	3	256	345	930	78	454	34	212	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	4	112	2,150	2,436	297	423	92	167	<sup>2</sup>	<sup>2</sup>
Sacramento . . . . .	23	287	3,159	4,561	1,460	1,993	411	654	662	783
Section 521 . . . . .	12	227	1,995	3,039	782	1,184	224	411	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	11	60	1,164	1,522	678	809	187	243	<sup>2</sup>	<sup>2</sup>
Spokane . . . . .	7	359	893	2,361	265	830	67	340	114	244
Section 521 . . . . .	1	140	59	703	48	314	13	129	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	6	219	834	1,658	217	516	54	211	<sup>2</sup>	<sup>2</sup>
U.S. total . . . . .	100	5,795	29,264	51,812	10,260	18,554	3,492	7,727	4,136	6,149
Section 521 . . . . .	36	2,475	6,694	15,276	2,215	5,497	664	2,275	<sup>2</sup>	<sup>2</sup>
Nonsection 521 . . . . .	64	3,320	22,570	36,536	8,045	13,057	2,828	5,452	<sup>2</sup>	<sup>2</sup>

<sup>1</sup> These are gross figures. Neither intercooperative business nor intercooperative investments have been eliminated.

<sup>2</sup> Data were not tabulated separately for borrowed capital based on tax status of the cooperatives.

## Sales And Other Operating Income

The 100 largest farmer marketing and supply cooperatives reported combined sales and other operating income of over \$29 billion for their 1976 fiscal years. This represents an average sales figure of \$293 million. These are gross figures; intercooperative business has not been eliminated.

Of the 100 cooperatives, 8 had gross sales in 1976 of over \$1 billion; 18 over \$500 million; 39 over \$200 million; and 64 had gross sales of over \$100 million. This left 36 of the 100 cooperatives with less than \$100 million in gross sales. Of these, 21 had gross sales of less than \$75 million. The smallest had gross sales of \$52 million. Tables 77 and 78 show the number of the 100 largest cooperatives with sales and other operating income

**Table 77—Number of the 100 largest farmer marketing and supply cooperatives with sales and other operating income of specified sizes, by major function and principal product marketed, fiscal year 1976**

Major function and principal product marketed	Total cooperatives	Cooperatives with sales and other operating income amounting to—					
		Less than \$75 million	\$75-\$99.9 million	\$100-\$199.9 million	\$200-\$499.9 million	\$500-\$999.9 million	\$1 billion and over
----- <i>Number</i> -----							
Major function:							
Farm supply . . . . .	14	2	2	3	4	3	0
Marketing . . . . .	60	13	11	16	12	4	4
Marketing/farm supply . . . . .	26	6	2	6	5	3	4
Total—all cooperatives . . . . .	100	21	15	25	21	10	8
Principal product:							
Diversified . . . . .	11	0	1	5	1	1	3
Cotton and cotton products . . . . .	5	2	1	1	1	0	0
Dairy products . . . . .	22	5	4	7	3	2	1
Fruits and vegetables . . . . .	15	7	2	3	3	0	0
Grain, soybeans and products . . . . .	21	3	2	1	7	4	4
Poultry products . . . . .	3	1	1	1	0	0	0
Rice . . . . .	4	1	0	2	1	0	0
Other products . . . . .	5	0	2	2	1	0	0
Total marketing and marketing/farm supply cooperatives . . . . .	86	19	13	22	17	7	8

**Table 78—Number of the 100 largest farmer marketing and supply cooperatives with sales and other operating income of specified sizes, by farm credit districts, fiscal year 1976**

Farm credit district	Total coopera- tives	Cooperatives with sales and other operating income amounting to—					
		Less than \$75 million	\$75-\$99.9 million	\$100-\$199.9 million	\$200-\$499.9 million	\$500-\$999.9 million	\$1 billion and over
----- <i>Number</i> -----							
Springfield . . . . .	5	0	0	2	2	0	1
Baltimore . . . . .	5	1	2	1	1	0	0
Columbia . . . . .	9	3	3	1	1	1	0
Louisville . . . . .	9	1	1	2	3	2	0
New Orleans . . . . .	3	0	0	2	1	0	0
St. Louis . . . . .	13	1	1	2	3	4	2
St. Paul . . . . .	13	2	1	4	3	1	2
Omaha and Wichita . . . . .	6	0	1	0	1	2	2
Houston . . . . .	7	2	1	2	1	0	1
Sacramento . . . . .	23	8	5	6	4	0	0
Spokane . . . . .	7	3	0	3	1	0	0
U.S. total . . . . .	100	21	15	25	21	10	8

Table 79—Sales and other operating income of the 100 largest farmer marketing and supply cooperatives, fiscal year 1976<sup>1</sup>

Sources of income	Cooperatives with any income from each source	Sales and other operating income	
	<i>Number</i>	<i>Million dollars</i>	<i>Percent of total</i>
Farm supply sales . . . . .	49	8,599	29.4
Marketing receipts:			
Sales of products on—			
Buy-and-sale basis . . . . .	59	16,152	55.2
Pooling basis . . . . .	29	4,289	14.7
Income from products sold on commission basis . .	3	<sup>2</sup>	<sup>3</sup>
Check-off on products bargained for . . . . .	3	5	<sup>3</sup>
Total marketing receipts . . . . .	86	20,446	69.9
Service receipts and other income (such as income from storage, ginning, and transport) . . . . .	49	219	.7
Total sales and other operating income . . . . .	100	29,264	100.0

<sup>1</sup> Intercooperative business has not been eliminated from these figures.<sup>2</sup> Less than \$500,000.<sup>3</sup> Less than 0.05 percent.Table 80—Sales and other operating income of the 100 largest farmer marketing and supply cooperatives, by major function of the cooperatives, fiscal year 1976<sup>1</sup>

Major function	Cooperatives	Sales and other operating income from—							
		Marketing receipts:					Farm supply sales	Service receipts	Total sales and other operating income
		Sales of products:		Income from products sold on commission basis	Check-off on products bargained for	Total marketing receipts			
		On buy-and-sale basis	On pooling basis						
		<i>Number</i>	<i>Million dollars</i>						
Farm supply . . . . .	14	2	2	2	2	2	3,328	10	3,338
Marketing . . . . .	60	10,634	4,106	2	5	14,745	39	157	14,941
Marketing/farm supply . .	26	5,518	183	2	2	5,701	5,232	52	10,985
Total . . . . .	100	16,152	4,289	2	5	20,446	8,599	219	29,264

<sup>1</sup> Intercooperative business has not been eliminated from these figures.<sup>2</sup> Less than \$500,000.

of specified sizes for fiscal year 1976, classified by major function, principal product marketed, and farm credit districts.

Of the \$29 billion in gross sales and other operating income of the 100 largest cooperatives for 1976, over 29 percent represented sales of farm supplies, nearly 70 percent represented marketing receipts, and less than 1 percent resulted from related service receipts. Table 79 shows that 49 of the 100 cooperatives reported some income from the sale of farm supplies, 86 reported marketing receipts, and 49 reported service receipts. Fifty-nine of the cooperatives reported sales of farm products on a buy-and-sale basis and 29 on a pooling basis. Only 3 reported income from products sold on a commission basis and 3 reported income in the form of checkoff on products bargained for.

Sales and other operating income of the 100 largest cooperatives are shown in table 80, based on dollar income figures, and in table 81 based on number of cooperatives reporting income from each source. Comparable data are shown in tables 82 and 83 for the 86 cooperatives engaged in marketing farm products, classified by principal products

Table 81—Number of the 100 largest farmer marketing and supply cooperatives with any sales and other operating income from specified sources, by major function, fiscal year 1976

Major function	Total number of cooperatives	Cooperatives with:						
		Marketing receipts from:					Farm supply sales	Service receipts
		Sales of products:		Income from products sold on commission basis	Check-off on products bargained for	Any marketing receipts		
		On buy-and-sale basis	On pooling basis					
<i>Number</i>								
Farm supply . . . . .	14	0	0	0	0	0	14	3
Marketing . . . . .	60	34	28	2	3	60	9	33
Marketing/farm supply . . . . .	26	25	1	1	0	26	26	13
Total . . . . .	100	59	29	3	3	86	49	49

Table 82—Sales and other operating income of the 86 largest farmer marketing and marketing/supply cooperatives, by principal product marketed, fiscal year 1976<sup>1</sup>

Principal product marketed	Cooperatives	Sales and other operating income from—							
		Marketing receipts:					Farm supply sales	Service receipts	Total sales and other operating income
		Sales of products:		Income from products sold on commission basis	Check-off on products bargained for	Total marketing receipts			
		On buy-and-sale basis	On pooling basis						
<i>Number</i> ----- <i>Million dollars</i> -----									
Diversified . . . . .	11	2,589	0	0	0	2,589	3,894	24	6,507
Cotton and cotton products . .	5	263	502	0	0	765	0	6	771
Dairy products . . . . .	22	4,816	562	0	5	5,383	63	33	5,479
Fruits and vegetables . . . . .	15	10	1,850	<sup>2</sup>	0	1,860	61	11	1,932
Grain, soybeans and products . .	21	7,986	247	<sup>2</sup>	0	8,233	1,203	117	9,553
Poultry and eggs . . . . .	3	221	0	0	0	221	48	0	269
Rice . . . . .	4	0	573	0	0	573	2	4	579
Other products . . . . .	5	267	555	0	0	822	0	14	836
Total . . . . .	86	16,152	4,289	<sup>2</sup>	5	20,446	5,271	209	25,926

<sup>1</sup> Intercooperative business has not been eliminated from these figures. Includes 26 cooperatives that were marketing farm products and also handling farm supplies.

<sup>2</sup> Less than \$500,000.

marketed. Data for all 100 cooperatives based on location of headquarters by farm credit districts are shown in tables 84 and 85.

Tables 86, 87, and 88 show sales and other operating income for fiscal year 1976 based on IRS section 521 income tax status of the cooperatives. The 36 cooperatives with section 521 status accounted for about 23 percent of the total dollar sales of all 100 cooperatives. None of the 14 farm supply cooperatives were operating under section 521 of the IRS code in 1976, and only 6 of the 26 classified as combination marketing/farm supply had section 521 status. Of the 60 classified as marketing, 30 had section 521 status and 30 did not.

There is a definite trend for the large cooperatives to relinquish their section 521 status. Of the 100 largest cooperatives in 1970, 62 had section 521 status and 38 did not.

**Table 83—Number of the 86 largest farmer marketing and marketing/farm supply cooperatives with any sales and other operating income from specified sources, by principal product marketed, fiscal year 1976<sup>1</sup>**

Principal product marketed	Total number of cooperatives	Number of cooperatives with:						
		Marketing receipts from:					Farm supply sales	Service receipts
		Sales of products:		Income from products sold on commission basis	Check-off on products bargained for	Any marketing receipts		
		On buy-and-sale basis	On pooling basis					
----- <i>Number</i> -----								
Diversified . . . . .	11	11	—	—	—	11	11	5
Cotton and cotton products . .	5	3	2	—	—	5	—	5
Dairy products . . . . .	22	19	4	—	3	22	9	12
Fruits and vegetables . . . . .	15	1	15	1	—	15	1	4
Grain, soybeans, and products .	21	20	1	2	—	21	10	16
Poultry products . . . . .	3	3	—	—	—	3	3	—
Rice . . . . .	4	—	4	—	—	4	1	3
Other products . . . . .	5	2	3	—	—	5	—	1
Total . . . . .	86	59	29	3	3	86	35	46

<sup>1</sup> Includes 26 cooperatives that were marketing farm products and also handling farm supplies.

**Table 84—Sales and other operating income of the 100 largest farmer marketing and supply cooperatives, by farm credit districts, fiscal year 1976<sup>1</sup>**

Farm credit districts	Cooperatives	Sales and other operating income from—							
		Marketing receipts:					Farm supply sales	Service receipts	Total sales and other operating income
		Sales of products:		Income from products sold on commission basis	Check-off on products bargained for	Total marketing receipts			
		On buy- and sale basis	On pooling basis						
<i>Number</i> ----- <i>Million dollars</i> -----									
Springfield . . . . .	5	644	564	0	0	1,208	1,136	0	2,344
Baltimore . . . . .	5	353	68	0	1	422	261	1	684
Columbia . . . . .	9	847	367	0	0	1,214	503	31	1,748
Louisville . . . . .	9	2,034	0	0	2	2,036	839	7	2,882
New Orleans . . . . .	3	104	0	0	0	104	417	9	530
St. Louis . . . . .	13	2,688	462	<sup>2</sup>	0	3,150	3,216	24	6,390
St. Paul . . . . .	13	3,167	0	0	2	3,169	1,418	17	4,604
Omaha and Wichita . . . . .	6	3,214	0	0	0	3,214	245	76	3,535
Houston . . . . .	7	2,277	154	0	0	2,431	30	34	2,495
Sacramento . . . . .	23	229	2,616	<sup>2</sup>	0	2,845	304	10	3,159
Spokane . . . . .	7	595	58	0	0	653	230	10	893
Total . . . . .	100	16,152	4,289	<sup>2</sup>	5	20,446	8,599	219	29,264

<sup>1</sup> Intercooperative business has not been eliminated from these figures.

<sup>2</sup> Less than \$500,000.

Table 85—Number of the 100 largest farmer marketing and supply cooperatives with any sales and other operating income from specified sources, by farm credit districts, fiscal year 1976

Farm credit districts	Total number of cooperatives	Number of cooperatives with:						
		Marketing receipts from:					Farm supply sales	Service receipts
		Sales of products:		Income from products sold on commission basis	Check-off on products bargained for	Any marketing receipts		
		On buy-and-sale basis	On pooling basis					
<hr style="border-top: 1px dashed black;"/> Number <hr style="border-top: 1px dashed black;"/>								
Springfield . . . . .	5	2	3	—	—	5	1	—
Baltimore . . . . .	5	5	1	—	1	5	3	2
Columbia . . . . .	9	5	4	—	—	9	4	8
Louisville . . . . .	9	7	—	—	1	7	6	6
New Orleans . . . . .	3	2	—	—	—	2	3	1
St. Louis . . . . .	13	6	2	2	—	8	9	5
St. Paul . . . . .	13	11	—	—	1	11	7	6
Omaha and Wichita . . . . .	6	5	—	—	—	5	1	4
Houston . . . . .	7	6	1	—	—	7	3	6
Sacramento . . . . .	23	4	17	1	—	20	7	8
Spokane . . . . .	7	6	1	—	—	7	5	3
U.S. total . . . . .	100	59	29	3	3	86	49	49

Table 86—Sales and other operating income of the 100 largest farmer marketing and supply cooperatives, by major function and income tax status, fiscal year 1976<sup>1</sup>

Major function and income tax status	Cooperatives		Sales and other operating income	
	<i>Number</i>	<i>Percent</i>	<i>Million dollars</i>	<i>Percent</i>
Farm supply . . . . .	14	100.0	3,338	100.0
Section 521 . . . . .	0	0	0	0
Nonsection 521 . . . . .	14	100.0	3,338	100.0
Marketing . . . . .	60	100.0	14,941	100.0
Section 521 . . . . .	30	50.0	5,268	35.3
Nonsection 521 . . . . .	30	50.0	9,673	64.7
Marketing/farm supply . . . . .	26	100.0	10,985	100.0
Section 521 . . . . .	6	23.1	1,426	13.0
Nonsection 521 . . . . .	20	76.9	9,559	87.0
Total . . . . .	100	100.0	29,264	100.0
Section 521 . . . . .	36	36.0	6,694	22.9
Nonsection 521 . . . . .	64	64.0	22,570	77.1

<sup>1</sup> Intercooperative business has not been eliminated from these figures.

Table 87—Sales and other operating income of the 86 largest farmer marketing and marketing/supply cooperatives,  
by principal product marketed and income tax status, fiscal year 1976

Principal product and income tax status	Cooperatives		Sales and other operating income	
	<i>Number</i>	<i>Percent</i>	<i>Million dollars</i>	<i>Percent</i>
Diversified . . . . .	11	100.0	6,507	100.0
Section 521 . . . . .	4	36.4	1,299	20.0
Nonsection 521 . . . . .	7	63.6	5,208	80.0
Cotton and cotton products . . . . .	5	100.0	771	100.0
Section 521 . . . . .	4	80.0	694	90.0
Nonsection 521 . . . . .	1	20.0	77	10.0
Dairy products . . . . .	22	100.0	5,479	100.0
Section 521 . . . . .	11	50.0	2,160	39.4
Nonsection 521 . . . . .	11	50.0	3,319	60.6
Fruits and vegetables . . . . .	15	100.0	1,932	100.0
Section 521 . . . . .	7	46.7	1,007	52.1
Nonsection 521 . . . . .	8	53.3	925	47.9
Grain, soybeans and products . . . . .	21	100.0	9,553	100.0
Section 521 . . . . .	2	9.5	329	3.4
Nonsection 521 . . . . .	19	90.5	9,224	96.6
Poultry products . . . . .	3	100.0	269	100.0
Section 521 . . . . .	1	33.3	71	26.4
Nonsection 521 . . . . .	2	66.7	198	73.6
Rice . . . . .	4	100.0	579	100.0
Section 521 . . . . .	4	100.0	579	100.0
Nonsection 521 . . . . .	0	0	0	0
Other products . . . . .	5	100.0	836	100.0
Section 521 . . . . .	3	60.0	555	66.4
Nonsection 521 . . . . .	2	40.0	281	33.6
Total marketing and marketing/farm supply . . . . .	86	100.0	25,926	100.0
Section 521 . . . . .	36	41.9	6,694	25.8
Nonsection 521 . . . . .	50	58.1	19,232	74.2

Table 88—Sales and other operating income of the 100 largest farmer marketing and supply cooperatives, by farm credit districts and income tax status, fiscal year 1976

Farm credit districts and income tax status	Cooperatives		Sales and other operating income	
	<i>Number</i>	<i>Percent</i>	<i>Million dollars</i>	<i>Percent</i>
Springfield . . . . .	5	100.0	2,344	100.0
Section 521 . . . . .	4	80.0	928	39.6
Nonsection 521 . . . . .	1	20.0	1,416	60.4
Baltimore . . . . .	5	100.0	684	100.0
Section 521 . . . . .	3	60.0	283	41.4
Nonsection 521 . . . . .	2	40.0	401	58.6
Columbia . . . . .	9	100.0	1,748	100.0
Section 521 . . . . .	2	22.2	988	56.5
Nonsection 521 . . . . .	7	77.8	760	43.5
Louisville . . . . .	9	100.0	2,882	100.0
Section 521 . . . . .	2	22.2	716	24.8
Nonsection 521 . . . . .	7	77.8	2,166	75.2
New Orleans . . . . .	3	100.0	530	100.0
Section 521 . . . . .	2	66.7	311	58.7
Nonsection 521 . . . . .	1	33.3	219	41.3
St. Louis . . . . .	13	100.0	6,390	100.0
Section 521 . . . . .	2	15.4	463	7.2
Nonsection 521 . . . . .	11	84.6	5,927	92.8
St. Paul . . . . .	13	100.0	4,604	100.0
Section 521 . . . . .	5	38.5	606	13.2
Nonsection 521 . . . . .	8	61.5	3,998	86.8
Omaha and Wichita . . . . .	6	100.0	3,535	100.0
Section 521 . . . . .	0	0	0	0
Nonsection 521 . . . . .	6	100.0	3,535	100.0
Houston . . . . .	7	100.0	2,495	100.0
Section 521 . . . . .	3	42.9	345	13.8
Nonsection 521 . . . . .	4	57.1	2,150	86.2
Sacramento . . . . .	23	100.0	3,159	100.0
Section 521 . . . . .	12	52.2	1,995	63.2
Nonsection 521 . . . . .	11	47.8	1,164	36.8
Spokane . . . . .	7	100.0	893	100.0
Section 521 . . . . .	1	14.3	59	6.6
Nonsection 521 . . . . .	6	85.7	834	93.4
U.S. total . . . . .	100	100.0	29,264	100.0
Section 521 . . . . .	36	36.0	6,694	22.9
Nonsection 521 . . . . .	64	64.0	22,570	77.1

At the time of the 1976 study, several cooperatives indicated that IRS was challenging their section 521 status and several indicated that they were considering voluntarily giving it up because of the restrictions it imposes or the technical and economic problems of compliance. However, some cooperatives are continuing to comply with section 521 restrictions because of potential problems with Securities and Exchange Commission registration and reporting requirements for cooperatives without section 521 status. Nevertheless, one of the 36 large cooperatives with section 521 status in 1976 announced in 1977 that it had relinquished its status.

## Balance Sheet Data

Combined assets of the 100 largest agricultural marketing and supply cooperatives exceeded \$10 billion at the close of fiscal year 1976. Average assets for the 100 cooperatives amounted to \$102.6 million.

As indicated earlier, all cooperatives with assets of less than \$10 million were excluded from this group. Only 10 of those included had assets of less than \$20 million.

Size of the 100 cooperatives based on assets at the close of fiscal year 1976 was as follows:

Number of cooperatives	Size of assets <i>Million dollars</i>
10	200 and over
17	100 - 199.9
23	50 - 99.9
5	40 - 49.9
12	30 - 39.9
23	20 - 29.9
10	10 - 19.9
<hr/> 100	

Exactly half the 100 cooperatives had over \$50 million in assets. The largest 10 (based on size of assets) had assets of over \$200 million. Three of these 10 had assets exceeding \$500 million. And assets of one cooperative exceeded \$1 billion at the close of fiscal year 1976.

The 10 cooperatives with assets of over \$200 million had combined assets of \$4.7 billion in 1976, or 46 percent of combined assets for all 100 cooperatives. A separate tabulation for the largest 10 was made because of their tremendous significance to the total financial picture of cooperatives. This was not to get a separate look at the big 10 but to get a better look at the financial structure of the other 90 cooperatives.

The largest 10 cooperatives (based on size of assets) accounted for 31 percent of combined sales for the 100 cooperatives, 46 percent of assets, 49 percent of equity capital, and 47 percent of borrowed capital. In other words, 10 percent of the 100 cooperatives accounted for about one-third of combined sales and almost half of total capital used.

## Financial Structure

A comparison of the financial structure of the 100 largest farmer marketing and supply cooperatives, as shown by combined balance sheet data, is presented in figure 10 for fiscal years ending in 1976, 1970, and 1962. The general trend toward more reliance on borrowed capital and less on internally generated capital is continuing. Total borrowed capital exceeded equity capital at the close of fiscal year 1976 for this group of large cooperatives.

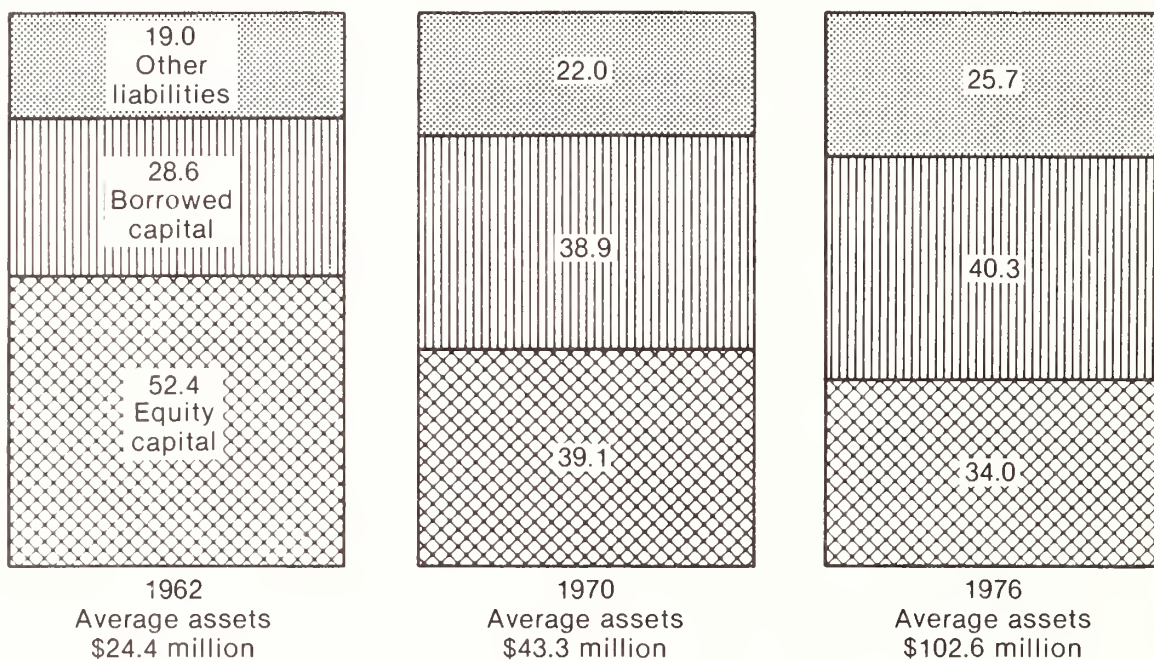
Equity capital financed 52 percent of total capital needs of the cooperatives in 1962, 39 percent in 1970, and 34 percent in 1976. Over this period of about 14 years, equity capital in the cooperatives dropped from over one-half of total assets to roughly a third.

Borrowed capital took up some of the slack, going up from 29 percent in 1962 to 39 percent in 1970 and on to 40 percent in 1976. Other liabilities (accounts payable, proceeds payable, and deferred and accrued items) also went up—from 19 percent, to 22 percent, and to 26 percent of total assets.

Figure 10

# 100 Largest Farmer Marketing and Supply Cooperatives

## Financial Structure



Figures in bars are percent of total assets at close of fiscal years.

USDA

Neg. ESCS 184-80 (2)

Assets of the 100 largest cooperatives increased by 137 percent—from \$4,326 million to \$10,260 million—between 1970 and 1976. This amounted to an average annual increase of almost 23 percent for the 6-year period. Inflation as well as increased asset requirements for growth accounted for this rapid expansion.

The growth figures for the 100 largest cooperatives compare with an increase in assets of 77 percent between 1962 and 1970—from \$24.4 million to \$43.3 million—for an average annual increase of 10 percent over the 8-year period.

While combined assets of the 100 largest cooperatives showed an increase of 137 percent between 1970 and 1976, borrowed capital increased by 146 percent and equity capital by 106 percent. Average annual increases for the 6-year period (1970-1976) compared with comparable increases for the 8-year period (1962-1970) were as follows:

Balance sheet item	Average annual increase	
	1970-1976	1962-1970
	Percent	
Assets	23	10
Equity capital	18	4
Borrowed capital	24	18

These figures show that the shift to debt capital by the cooperatives to finance their growth was not nearly as pronounced between 1970 and 1976 as it was between 1962 and 1970.

A comparison of balance sheet data for the 100 largest cooperatives at the close of fiscal years 1976, 1970, and 1962 is shown by major function of the cooperatives in table 89. Comparable data are shown in table 90 for only those cooperatives engaged in marketing by principal products marketed. Table 91 provides the same balance sheet information with the cooperatives classified by location of headquarters in the 12 farm credit districts.

Capital structure percentages for the 100 largest cooperatives varied when the cooperatives were grouped by major function (table 89). Equity capital as a percentage of total assets was higher than borrowed capital for the farm supply group. Borrowed capital was greater than equity capital for the primarily marketing and the combination marketing/farm supply groups.

Equity capital accounted for 43 percent of total assets, borrowed capital 36 percent, and other liabilities 21 percent for the 14 farm supply cooperatives.

For the 60 marketing cooperatives, equity capital was only 30 percent of total assets, with borrowed capital 41 percent and other liabilities 29 percent.

A comparison of cooperatives in the marketing group by principal products marketed (table 90) showed that equity capital was only 22 percent of total assets for the fruit and vegetable cooperatives, 31 percent for the dairy cooperatives, and 36 percent for grain cooperatives. Borrowed capital was 54 percent of total assets for cooperatives marketing fruits and vegetables, 39 percent for those marketing grain, and 28 percent for those marketing milk and dairy products.

**Table 89—Selected balance sheet data for the 100 largest farmer marketing and supply cooperatives, by major function, at close of fiscal years 1976, 1970, and 1962<sup>1</sup>**

Major function and year	Cooperatives	Total assets	Percentage of total assets represented by—		
			Equity capital	Borrowed capital	Other liabilities
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>		
Farm supply:					
1976 .....	14	2,303	43.3	35.6	21.1
1970 .....	16	781	48.3	31.5	20.2
1962 .....	15	374	65.6	19.3	15.1
Marketing:					
1976 .....	60	3,724	30.0	40.7	29.3
1970 .....	62	1,835	35.6	36.9	27.5
1962 .....	61	1,018	45.1	29.4	25.5
Marketing/farm supply:					
1976 .....	26	4,233	32.6	42.5	24.9
1970 .....	22	1,710	38.7	44.4	16.9
1962 .....	21	974	54.9	31.4	13.7
Total:					
1976 .....	100	10,260	34.0	40.3	25.7
1970 .....	100	4,326	39.1	38.9	22.0
1962 .....	97	2,366	52.4	28.6	19.0

<sup>1</sup> These are gross figures; intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with borrowed capital.

Table 90—Selected balance sheet data for the largest farmer marketing and marketing/farm supply cooperatives, by principal products marketed, at close of fiscal years 1976, 1970, and 1962<sup>1</sup>

Principal product and year	Cooperatives	Total assets	Percentage of total assets represented by—		
			Equity capital	Borrowed capital	Other liabilities
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>		
Diversified:					
1976 .....	11	2,881	30.7	44.8	24.5
1970 .....	14	1,412	37.2	46.4	16.4
1962 .....	14	745	54.4	31.9	13.7
Cotton and cotton products:					
1976 .....	5	256	17.9	61.3	20.8
1970 .....	6	106	41.6	22.8	35.6
1962 .....	6	80	40.5	31.1	28.4
Dairy products:					
1976 .....	22	1,069	31.1	28.1	40.8
1970 .....	19	607	35.1	26.6	38.3
1962 .....	19	318	46.0	22.8	31.2
Fruits and vegetables:					
1976 .....	15	1,037	22.3	53.7	24.0
1970 .....	18	593	27.8	53.8	18.4
1962 .....	16	292	35.1	39.2	25.7
Grain, soybeans, and products:					
1976 .....	21	1,976	36.4	38.9	24.7
1970 .....	14	548	42.2	39.7	18.1
1962 .....	14	347	54.0	33.8	12.2
Poultry products:					
1976 .....	3	49	43.6	38.4	18.0
1970 .....	3	33	34.4	48.0	17.6
1962 .....	3	34	69.4	17.0	13.6
Rice:					
1976 .....	4	158	33.6	39.3	27.1
1970 .....	4	77	41.2	29.3	29.5
1962 .....	4	38	50.2	18.9	30.9
Other products: <sup>2</sup>					
1976 .....	5	531	38.9	30.5	30.6
1970 .....	6	169	55.0	11.8	33.2
1962 .....	6	138	56.4	18.2	25.4
Total:					
1976 .....	86	7,957	31.4	41.7	26.9
1970 .....	84	3,545	37.1	40.5	22.4
1962 .....	82	1,992	49.9	30.4	19.7

<sup>1</sup> These are gross figures; intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with borrowed capital.

<sup>2</sup> For 1976, "other products" includes 3 cooperatives handling sugar and 2 handling nuts. For 1970 and 1962, 2 cooperatives handling sugar, 2 handling nuts, and 2 handling livestock are included.

Table 91—Selected balance sheet data for the 100 largest farmer marketing and supply cooperatives,  
by farm credit districts, at close of fiscal years 1976, 1970, and 1962<sup>1</sup>

Farm credit district and year	Cooperatives	Total assets	Percentage of total assets represented by—		
			Equity capital	Borrowed capital	Other liabilities
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>		
Springfield:					
1976 .....	5	840	24.1	40.3	35.6
1970 .....	8	476	25.8	51.0	23.2
1962 .....	7	275	45.2	33.7	21.1
Baltimore:					
1976 .....	5	254	42.0	33.7	24.3
1970 .....	7	189	45.5	36.7	17.8
1962 .....	7	120	61.9	26.9	11.2
Columbia:					
1976 .....	9	713	35.9	42.4	21.7
1970 .....	10	329	44.0	38.2	17.8
1962 .....	9	150	44.3	33.0	22.7
Louisville:					
1976 .....	9	729	38.1	32.3	29.6
1970 .....	9	336	35.9	43.5	20.6
1962 .....	9	170	57.9	28.6	13.5
New Orleans:					
1976 .....	3	477	35.9	41.8	22.3
1970 .....	4	178	41.4	43.8	14.8
1962 .....	4	70	59.4	21.5	19.1
St. Louis:					
1976 .....	13	2,880	31.8	46.0	22.2
1970 .....	11	841	37.7	40.6	21.7
1962 .....	11	427	45.3	35.6	19.1
St. Paul:					
1976 .....	13	1,647	43.0	31.3	25.7
1970 .....	12	602	52.9	23.8	23.3
1962 .....	12	379	60.0	24.6	15.4
Omaha and Wichita:					
1976 .....	6	620	40.2	35.2	24.6
1970 .....	5	255	46.5	34.3	19.2
1962 .....	5	137	72.1	16.2	11.7
Houston:					
1976 .....	7	375	33.7	37.3	29.0
1970 .....	6	226	34.0	35.0	31.0
1962 .....	6	116	45.1	23.0	31.9
Sacramento:					
1976 .....	23	1,460	28.2	45.4	26.4
1970 .....	22	704	38.4	37.3	24.3
1962 .....	21	421	50.3	26.0	23.7
Spokane:					
1976 .....	7	265	25.1	43.1	31.8
1970 .....	6	190	22.1	55.9	22.0
1962 .....	6	101	50.2	34.0	15.8
Total:					
1976 .....	100	10,260	34.0	40.3	25.7
1970 .....	100	4,326	39.1	38.9	22.0
1962 .....	97	2,366	52.4	28.6	19.0

<sup>1</sup> These are gross figures, intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with borrowed capital.

**Table 92—Condensed balance sheet data for the 100 largest farmer marketing and supply cooperatives, by major function and income tax status of the cooperatives, at close of fiscal year 1976<sup>1</sup>**

Major functions and income tax status	Cooperatives	Total assets	Percentage of total assets represented by—					
			Current assets	Fixed assets	Other assets	Current liabilities	Term liabilities	Equity capital
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>					
Farm supply .....	14	2,303	40.6	44.4	15.0	26.2	30.5	43.3
Section 521 .....	0	0	0	0	0	0	0	0
Nonsection 521 .....	14	2,303	40.6	44.4	15.0	26.2	30.5	43.3
Marketing .....	60	3,724	62.7	29.9	7.4	51.5	18.5	30.0
Section 521 .....	30	1,671	66.3	27.9	5.8	55.7	17.4	26.9
Nonsection 521 .....	30	2,053	59.6	31.6	8.8	48.0	19.5	32.5
Marketing/supply .....	26	4,233	57.5	30.8	11.7	39.9	27.5	32.6
Section 521 .....	6	544	60.8	26.0	13.2	37.5	23.1	39.4
Nonsection 521 .....	20	3,689	57.0	31.5	11.5	40.2	28.2	31.6
<b>Total .....</b>	<b>100</b>	<b>10,260</b>	<b>55.6</b>	<b>33.5</b>	<b>10.9</b>	<b>41.0</b>	<b>25.0</b>	<b>34.0</b>
Section 521 .....	36	2,215	65.0	27.4	7.6	51.2	18.8	30.0
Nonsection 521 .....	64	8,045	53.0	35.2	11.8	38.2	26.6	35.2

<sup>1</sup> These are gross figures; intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with liabilities.

## Condensed Balance Sheet Information

Condensed balance sheet data for the 100 largest farmer marketing and supply cooperatives for their fiscal years ending in 1976 are shown in figure 11. Combined assets for the 100 cooperatives amounted to \$10,260 million. This is a gross figure. There is some duplication included because several of the cooperatives are interregionals, owned by other large federated or centralized cooperatives included in the 100 largest (such as CF Industries).

Of the \$10,260 million gross assets of the 100 cooperatives, current assets of \$5,702 million accounted for nearly 56 percent, fixed assets (reported at cost less depreciation) of \$3,438 million accounted for 33 percent, and investments and other miscellaneous capital of \$1,120 million accounted for the other 11 percent.

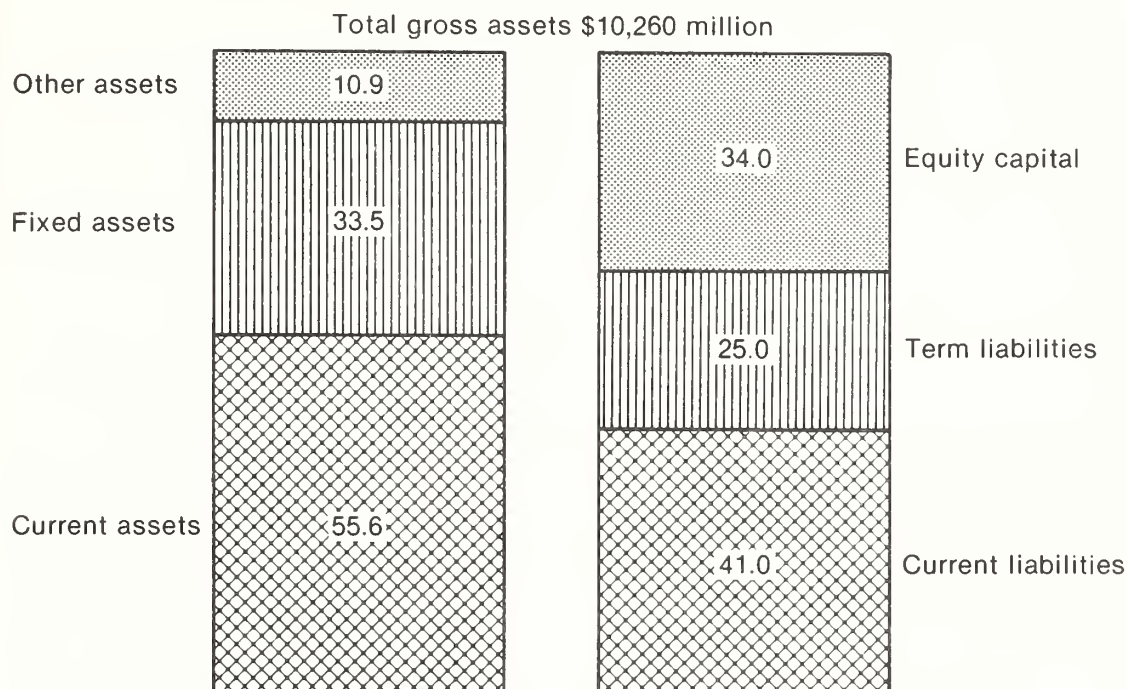
Combined net worth or equity capital of the 100 cooperatives at the close of fiscal year 1976 was \$3,492 million. This represented 34 percent of total assets of the cooperatives. Current liabilities totaled \$4,209 million or 41 percent of total assets; term liabilities of \$2,559 million accounted for the remaining 25 percent of total assets.

Tables 92, 93, and 94 show condensed balance sheet data for the 100 largest farmer marketing and supply cooperatives at the close of fiscal year 1976 by major function, by principal product marketed, and by location of headquarters by farm credit districts, respectively.

The 14 primarily farm supply cooperatives had combined assets of \$2,303 million at the close of the fiscal year. Current assets accounted for almost 41 percent of the total assets. Fixed assets accounted for 44 percent, and investments and other miscellaneous capital accounted for the other 15 percent.

Combined net worth or equity capital of the 14 farm supply cooperatives at the close of the fiscal year represented 43 percent of total assets of the cooperatives. Current liabilities accounted for 26 percent and term liabilities almost 31 percent.

## Condensed Balance Sheet Data for the 100 Largest Farmer Cooperatives



Data are for the close of fiscal year 1976. % of total assets

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Some farm supply cooperatives included in the 100 largest group were involved in manufacturing as well as distribution of farm supplies, whereas smaller farm supply cooperatives were engaged primarily in distribution. Naturally, large cooperatives with manufacturing facilities would have more of their capital invested in fixed assets and more term debt to finance these manufacturing facilities.

The 60 primarily marketing cooperatives had combined assets of \$3,724 million at the close of the fiscal year. Member capital accounted for 30 percent of this total, current liabilities for over 51 percent, and term liabilities for almost 19 percent.

Fixed assets of the 60 marketing cooperatives amounted to 30 percent of their total assets and current assets amounted to almost 63 percent. Investments in other cooperatives and miscellaneous assets accounted for the other 7 percent of total assets.

The marketing group had the highest percentage of current assets and current liabilities and the lowest percentage of term debt and equity capital of the 100 largest cooperatives. Current assets included inventories and accounts receivable and the current liabilities included accounts payable, containing sizeable amounts due producers in payment for products to be marketed in many cases.

The 26 cooperatives engaged in both marketing and farm supply activities had total assets of \$4,233 million. This group consisted of large highly diversified cooperatives. Their current assets accounted for 57 percent of the total assets, fixed assets for 31 percent, and investments and other miscellaneous assets for 12 percent.

Member capital of the 26 large marketing/farm supply cooperatives amounted to almost 33 percent of total assets. Current liabilities were 40 percent and term liabilities over 27 percent.

Condensed balance sheet data for the 100 largest farmer marketing and supply cooperatives for fiscal year 1976 are shown in tables 92, 93, and 94 by Federal income tax status of the cooperatives, as well as by major function, principal product marketed, and location in farm credit districts.

Thirty-six of the 100 cooperatives were operating under section 521 of the Internal Revenue Code and 64 were not. Combined assets of the 36 cooperatives with section 521 status amounted to \$2.2 billion. The remaining 64 cooperatives had \$8 billion of assets. The section 521 cooperatives had a higher percentage of their total assets represented by current assets and a smaller percentage in fixed and other assets than the group of cooperatives without section 521 status. Looking at the other side of the balance sheet, the section 521 group had a much larger percentage of total assets represented by current liabili-

Table 93—Condensed balance sheet data for the 86 largest farmer marketing and marketing/supply cooperatives, by principal product marketed and income tax status of the cooperatives at close of fiscal year 1976<sup>1</sup>

Principal product and income tax status	Cooperatives	Total assets	Percentage of total assets represented by—					
			Current assets	Fixed assets	Other assets	Current liabilities	Term liabilities	Equity capital
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>					
Diversified . . . . .	11	2,881	55.9	33.2	10.9	36.4	32.9	30.7
Section 521 . . . . .	4	499	60.7	25.2	14.1	37.4	23.9	38.7
Nonsection 521 . . . . .	7	2,382	54.9	34.8	10.3	36.2	34.7	29.1
Cotton and products . . . . .	5	256	75.2	15.8	9.0	76.1	6.0	17.9
Section 521 . . . . .	4	227	80.5	11.4	8.1	75.7	4.7	19.6
Nonsection 521 . . . . .	1	29	32.7	50.8	16.5	79.2	16.1	4.7
Dairy products . . . . .	22	1,069	60.7	30.2	9.1	47.5	21.4	31.1
Section 521 . . . . .	11	468	61.1	31.4	7.5	54.8	22.1	23.1
Nonsection 521 . . . . .	11	601	60.5	29.3	10.2	41.9	20.9	37.2
Fruits and vegetables . . . . .	15	1,037	64.8	29.9	5.3	54.7	23.0	22.3
Section 521 . . . . .	7	489	61.0	33.1	5.9	49.3	27.1	23.6
Nonsection 521 . . . . .	8	548	68.2	27.1	4.7	59.5	19.3	21.2
Grain, soybeans, and products . .	21	1,976	62.6	24.0 *	13.4	49.7	13.9	36.4
Section 521 . . . . .	2	114	67.3	28.0	4.7	48.2	13.6	38.2
Nonsection 521 . . . . .	19	1,862	62.3	23.8	13.9	49.8	13.9	36.3
Poultry and products . . . . .	3	49	73.5	19.8	6.7	46.4	10.0	43.6
Section 521 . . . . .	1	17	69.2	24.7	6.1	15.1	8.4	76.5
Nonsection 521 . . . . .	2	32	75.7	17.2	7.1	63.0	10.8	26.2
Rice . . . . .	4	158	58.6	36.9	4.5	50.3	16.1	33.6
Section 521 . . . . .	4	158	58.6	36.9	4.5	50.3	16.1	33.6
Nonsection 521 . . . . .	0	0	0	0	0	0	0	0
Other products <sup>2</sup> . . . . .	5	531	52.2	45.9	1.9	38.1	23.0	38.9
Section 521 . . . . .	3	243	77.4	21.5	1.1	58.2	3.5	38.3
Nonsection 521 . . . . .	2	288	30.9	66.5	2.6	21.1	39.4	39.5
Total . . . . .	86	7,957	59.9	30.3	9.8	45.3	23.3	31.4
Section 521 . . . . .	36	2,215	65.0	27.4	7.6	51.2	18.8	30.0
Nonsection 521 . . . . .	50	5,742	58.0	31.5	10.5	43.0	25.1	31.9

<sup>1</sup> These are gross figures; intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with liabilities.

<sup>2</sup> Includes 3 cooperatives handling sugar products and 2 handling nuts.

Table 94—Condensed balance sheet data for the 100 largest farmer marketing and supply cooperatives, by farm credit districts and income tax status of the cooperatives, at close of fiscal year 1976<sup>1</sup>

Farm credit district and income tax status	Cooperatives	Total assets	Percentage of total assets represented by—					
			Current assets	Fixed assets	Other assets	Current liabilities	Term liabilities	Equity capital
	<i>Number</i>	<i>Million dollars</i>	<i>-----Percent-----</i>					
Springfield . . . . .	5	840	64.8	27.7	7.5	39.5	36.4	24.1
Section 521 . . . . .	4	308	59.1	33.4	7.5	49.5	43.0	7.5
Nonsection 521 . . . . .	1	532	68.1	24.5	7.4	33.7	32.6	33.7
Baltimore . . . . .	5	254	52.5	28.0	19.5	28.0	30.0	42.0
Section 521 . . . . .	3	69	50.5	42.5	7.0	37.1	29.6	33.3
Nonsection 521 . . . . .	2	185	53.3	22.5	24.2	24.6	30.1	45.3
Columbia . . . . .	9	713	58.4	32.8	8.8	42.0	22.1	35.9
Section 521 . . . . .	2	366	60.9	28.5	10.6	35.6	22.9	41.5
Nonsection 521 . . . . .	7	347	55.7	37.3	7.0	48.8	21.2	30.0
Louisville . . . . .	9	729	64.3	23.7	12.0	49.2	12.7	38.1
Section 521 . . . . .	2	153	59.4	36.3	4.3	49.8	8.2	42.0
Nonsection 521 . . . . .	7	576	65.6	20.3	14.1	49.1	13.9	37.0
New Orleans . . . . .	3	477	40.4	51.2	8.4	28.3	35.8	35.9
Section 521 . . . . .	2	133	60.3	15.8	23.9	42.6	26.5	30.9
Nonsection 521 . . . . .	1	344	32.7	64.8	2.5	22.8	39.4	37.8
St. Louis . . . . .	13	2,880	43.8	43.2	13.0	31.1	37.1	31.8
Section 521 . . . . .	2	156	69.9	25.6	4.5	56.6	15.0	28.4
Nonsection 521 . . . . .	11	2,724	42.3	44.2	13.5	29.6	38.3	32.1
St. Paul . . . . .	13	1,647	56.5	29.5	14.0	41.2	15.8	43.0
Section 521 . . . . .	5	122	60.1	26.3	13.6	45.7	17.3	37.0
Nonsection 521 . . . . .	8	1,525	56.2	29.7	14.1	40.9	15.7	43.4
Omaha and Wichita . . . . .	6	620	64.4	25.8	9.8	51.7	8.1	40.2
Section 521 . . . . .	0	0	0	0	0	0	0	0
Nonsection 521 . . . . .	6	620	64.4	25.8	9.8	51.7	8.1	40.2
Houston . . . . .	7	375	57.9	28.4	13.7	47.6	18.7	33.7
Section 521 . . . . .	3	78	45.6	35.4	19.0	32.7	24.1	43.2
Nonsection 521 . . . . .	4	297	61.1	26.6	12.3	51.5	17.3	31.2
Sacramento . . . . .	23	1,460	66.8	29.1	4.1	55.7	16.1	28.2
Section 521 . . . . .	12	782	73.9	23.3	2.8	63.3	8.0	28.7
Nonsection 521 . . . . .	11	678	58.5	35.8	5.7	47.1	25.3	27.6
Spokane . . . . .	7	265	61.7	23.8	14.5	47.6	27.3	25.1
Section 521 . . . . .	1	48	66.9	25.2	7.9	61.5	12.0	26.5
Nonsection 521 . . . . .	6	217	60.5	23.5	16.0	44.5	30.6	24.9
U.S. total . . . . .	100	10,260	55.6	33.5	10.9	41.0	25.0	34.0
Section 521 . . . . .	36	2,215	65.0	27.4	7.6	51.2	18.8	30.0
Nonsection 521 . . . . .	64	8,045	53.0	35.2	11.8	38.2	26.6	35.2

<sup>1</sup> These are gross figures, intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with liabilities.

ties (51 percent compared to 38 percent) and a smaller percentage represented by term liabilities (less than 19 percent compared with almost 27 percent). Equity capital of the nonsection 521 cooperatives was higher than for those operating under section 521 (35 percent compared with 30 percent).

### Financial Ratios

The following tabulation shows the 1976 current ratio—current assets to current liabilities—for the 100 largest cooperatives, by major function:

Major function	Current ratio
Farm supply	1.6 to 1
Marketing	1.2 to 1
Marketing/farm supply	1.4 to 1
All 100 cooperatives	1.4 to 1

The debt-equity ratio for the 100 cooperatives was as follows:

Major function	Debt-equity ratio
Farm supply	1.3 to 1
Marketing	2.3 to 1
Marketing/farm supply	2.1 to 1
All 100 cooperatives	1.9 to 1

For the debt-equity ratio, debt includes all current and long-term obligations of the cooperatives—accounts payable as well as mortgages payable.

### Impact of Data for 100 Largest Cooperatives

When balance sheet data for the 100 largest cooperatives were excluded from the balance sheet figures for all cooperatives (as shown in section I), the financial structure of the remaining cooperatives was as shown in table 95.

Equity capital for 5,695 cooperatives at the close of fiscal year 1976—all active cooperatives except the largest 100—accounted for 51 percent of total assets of the cooperatives. This compares with 34 percent for the 100 largest cooperatives. Borrowed capital for the 5,695 cooperatives amounted to 24 percent of total assets, much less than the 40 percent figure for the 100 largest group.

Table 95—Selected balance sheet data for the 100 largest farmer marketing and supply cooperatives compared with all active cooperatives, at close of fiscal years 1976 and 1970<sup>1</sup>

Cooperatives and year	Total assets	Percentage of total assets represented by—		
		Equity capital	Borrowed capital	Other liabilities
	<i>Million dollars</i>	<i>Percent</i>		
1976:				
Largest 100 .....	10,260	34.0	40.3	25.7
Other 5,695 .....	8,294	51.1	24.3	24.6
All 5,795 .....	18,554	41.7	33.1	25.2
1970:				
Largest 100 .....	4,326	39.1	38.9	22.0
Other 7,189 .....	4,151	54.4	26.1	19.5
All 7,289 .....	8,477	46.6	32.6	20.8

<sup>1</sup> These are gross figures; intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with borrowed capital.

**Table 96—Condensed balance sheet data for the 100 largest farmer marketing and supply cooperatives compared with all 5,795 cooperatives, at close of fiscal year 1976<sup>1</sup>**

Cooperatives	Total assets	Percentage of total assets represented by—					
		Current assets	Fixed assets	Other assets	Current liabilities	Term liabilities	Equity capital
	<i>Million dollars</i>	<i>Percent</i>					
Largest 100 .....	10,260	55.6	33.5	10.9	41.0	25.0	34.0
Other 5,695 .....	8,294	51.9	30.7	17.4	36.7	12.2	51.1
All 5,795 .....	18,554	53.9	32.2	13.9	39.0	19.3	41.7

<sup>1</sup> These are gross figures; intercooperative investments have not been eliminated. All certificates fixed as to amount and maturity date are included with liabilities.

Between 1970 and 1976 smaller farmer cooperatives (all cooperatives except the 100 largest) as a total group actually experienced a small decline in the proportion of their total capital requirements financed by creditors (table 95).

Table 96 shows condensed balance sheet data for the largest 100 cooperatives at the close of fiscal year 1976, compared with that of the remaining 5,695 active cooperatives.

Term liabilities of the other 5,695 cooperatives amounted to only 12 percent of total assets compared with 25 percent for the 100 largest cooperatives, and equity capital was 51 percent compared with 34 percent for the large cooperatives.

## Equity Capital

Combined equity capital of the 100 largest farmer marketing and supply cooperatives outstanding at the close of fiscal year 1976 amounted to \$3.5 billion, an average of \$35 million. This compares with an average equity capital of \$17 million in 1970 and \$13 million in 1962. These are all gross figures; some of the cooperatives had intercooperative investments that have not been eliminated.

Types and amounts of equity capital as a percentage of total equity outstanding at the close of fiscal years 1976, 1970 and 1962 are shown in tables 97, 98, and 99. There were no major changes in types of equity capital used in 1976 compared with 1962 for the 100 cooperatives as a total group.

Some trends were apparent when the 100 cooperatives were classified by major function (table 97), by principal product marketed (table 98) and by location of headquarters by farm credit district (table 99). However, in some cases, the changes between survey years resulted from changes in individual cooperatives included in the 100 largest group each year. The same cooperatives were used in 1962 and 1970, but not all cooperatives were the same for 1976. If a large stock cooperative handling a certain product or located in a certain farm credit district was included for 1962 and 1970 and a nonstock cooperative was included instead in 1976, for example, the figures would indicate that the cooperatives in that group were issuing less stock or switching to other types of equity capital. This was not necessarily the case when the individual cooperatives included in a specific classification changed.

Table 100 shows types and amounts of equity capital of the 100 largest farmer marketing and supply cooperatives outstanding at the close of fiscal year 1976. Of the \$3,492 million combined equity capital of the 100 cooperatives at the close of the fiscal year, nearly 21 percent was represented by common stock and another 24 percent by

Table 97—Types of equity capital used by the 100 largest farmer marketing and supply cooperatives, by major function, at close of fiscal years 1976, 1970, and 1962

Major function and year	Cooperatives	Total equity capital	Percentage of total equity capital represented by—		
			Allocated capital		Unallocated reserves
			Common and preferred stock	Equity certificates and credits	
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>		
Farm supply:					
1976 .....	14	996	75.5	11.7	12.8
1970 .....	16	378	74.1	15.2	10.7
1962 .....	15	245	83.0	8.8	8.2
Marketing:					
1976 .....	60	1,117	28.4	69.0	2.6
1970 .....	62	653	25.7	67.2	7.1
1962 .....	61	460	29.8	59.4	10.8
Marketing/farm supply:					
1976 .....	26	1,379	35.7	42.3	22.0
1970 .....	22	661	38.0	43.7	18.3
1962 .....	21	534	42.5	45.5	12.0
Total:					
1976 .....	100	3,492	44.7	42.1	13.2
1970 .....	100	1,692	41.3	46.4	12.3
1962 .....	97	1,239	45.8	43.4	10.8

preferred stock. Certificates of equity and capital credits accounted for 42 percent and unallocated reserves for 13 percent.

As indicated in section I, common stock issued by one cooperative and preferred issued by another frequently differ in name only. Both result from patronage refunds and per unit capital retains as well as through purchase. Likewise, both the common and the preferred stock may be handled on a revolving basis just as any other type of equity credit, and cannot be considered as permanent capital under such circumstances.

The 42 percent issued as equity certificates and credits is likewise, for all practical purposes, the same as credits issued as capital stock.

Less than one-half of 1 percent of equity capital was issued by the cooperatives as membership certificates and less than 1 percent was issued as nonqualified equity credits.

The 13 percent of total equity shown as unallocated reserves in table 100 includes unallocated losses of 13 of the 100 cooperatives.

A more detailed discussion of definitions and characteristics of equity capital is included in the equity capital chapter of section I and the appendix of this report.

Types of equity capital for the largest 10 cooperatives (based on size of assets), for the other 90 of the 100 largest, and for all the 100 largest, compared with all 5,795 active cooperatives in 1976 and the 5,695 (all except the 100 largest), are shown in table 101.

These figures show that the largest 10 cooperatives accounted for almost half the total equity capital outstanding in the 100 largest group at the close of fiscal year 1976. The largest 10 had issued more stock, while the other 90 had issued more nonstock equity certificates. The largest 10 also had almost twice as much in unallocated reserves as the other 90.

Table 98—Types of equity capital used by the largest farmer marketing and marketing/supply cooperatives, by principal product marketed, at close of fiscal years 1976, 1970, and 1962

Principal product and year	Cooperatives	Total equity capital	Percentage of total equity capital represented by—		
			Allocated capital		Unallocated reserves
			Common and preferred stock	Equity certificates and credits	
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>		
Diversified:					
1976 .....	11	886	38.3	38.3	23.4
1970 .....	14	525	36.9	41.3	21.8
1962 .....	14	405	42.9	41.8	15.3
Cotton and cotton products:					
1976 .....	5	46	<sup>1</sup>	133.2	(33.2)
1970 .....	6	44	22.7	76.2	1.1
1962 .....	6	32	29.6	68.6	1.8
Dairy products:					
1976 .....	22	332	10.9	91.4	(2.3)
1970 .....	19	213	18.6	79.3	2.1
1962 .....	19	146	24.6	69.5	5.9
Fruits and vegetables:					
1976 .....	15	231	12.7	90.6	(3.3)
1970 .....	18	165	14.3	85.2	.5
1962 .....	16	102	9.9	86.7	3.4
Grain, soybeans, and products:					
1976 .....	21	719	44.7	35.6	19.7
1970 .....	14	231	49.7	40.0	10.3
1962 .....	14	187	57.2	29.8	13.0
Poultry products:					
1976 .....	3	22	2.0	95.6	2.4
1970 .....	3	11	5.4	94.2	.4
1962 .....	3	24	2.7	97.3	<sup>1</sup>
Rice:					
1976 .....	4	53	63.2	36.7	.1
1970 .....	4	32	53.6	46.2	.2
1962 .....	4	19	57.5	42.5	<sup>1</sup>
Other products: <sup>2</sup>					
1976 .....	5	207	23.3	70.2	6.5
1970 .....	6	93	20.8	53.8	25.4
1962 .....	6	78	19.6	60.6	19.8
Total:					
1976 .....	86	2,496	32.4	54.2	13.4
1970 .....	84	1,314	31.9	55.4	12.7
1962 .....	82	993	36.6	51.9	11.5

<sup>1</sup> Less than 0.05 percent.

<sup>2</sup> For 1976 "other products" includes 3 cooperatives handling sugar and 2 handling nuts. For 1970 and 1962, 2 cooperatives handling sugar, 2 handling nuts, and 2 handling livestock are included.

Table 99—Types of equity capital used by the 100 largest farmer marketing and supply cooperatives, by farm credit districts, at close of fiscal years 1976, 1970 and 1962

Farm credit district and year	Cooperatives	Total equity capital	Percentage of total equity capital represented by—		
			Allocated capital		Unallocated reserve
			Common and preferred stock	Equity certificates and credits	
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>		
Springfield:					
1976 . . . . .	5	202	29.7	6.4	63.9
1970 . . . . .	8	123	34.9	7.9	57.2
1962 . . . . .	7	124	37.9	35.5	26.6
Baltimore:					
1976 . . . . .	5	107	35.8	45.8	18.4
1970 . . . . .	7	86	49.8	35.6	14.6
1962 . . . . .	7	74	58.8	27.8	13.4
Columbia:					
1976 . . . . .	9	256	8.6	81.6	9.8
1970 . . . . .	10	144	15.2	79.4	5.4
1962 . . . . .	9	66	22.6	73.3	4.1
Louisville:					
1976 . . . . .	9	278	43.7	40.9	15.4
1970 . . . . .	9	120	66.9	28.5	4.6
1962 . . . . .	9	98	77.3	19.6	3.1
New Orleans:					
1976 . . . . .	3	171	67.1	26.9	6.0
1970 . . . . .	4	74	83.0	17.3	(.3)
1962 . . . . .	4	42	77.7	20.0	2.3
St. Louis:					
1976 . . . . .	13	917	67.2	18.0	14.8
1970 . . . . .	11	317	52.4	31.8	15.8
1962 . . . . .	11	194	56.8	32.7	10.5
St. Paul:					
1976 . . . . .	13	707	42.1	51.9	6.0
1970 . . . . .	12	319	38.8	59.3	1.9
1962 . . . . .	12	227	42.5	54.3	3.2
Omaha and Wichita:					
1976 . . . . .	6	250	73.1	6.7	20.2
1970 . . . . .	5	119	71.1	9.1	19.8
1962 . . . . .	5	99	73.2	4.0	22.8
Houston:					
1976 . . . . .	7	126	28.6	81.6	(10.2)
1970 . . . . .	6	77	14.9	84.8	.3
1962 . . . . .	6	52	46.2	49.0	4.8
Sacramento:					
1976 . . . . .	23	411	12.1	84.7	3.2
1970 . . . . .	22	271	15.6	70.2	14.2
1962 . . . . .	21	212	15.3	70.6	14.1
Spokane:					
1976 . . . . .	7	67	32.0	60.5	7.5
1970 . . . . .	6	42	51.2	65.1	(16.3)
1962 . . . . .	6	51	34.9	60.9	4.2
Total:					
1976 . . . . .	100	3,492	44.7	42.1	13.2
1970 . . . . .	100	1,692	41.3	46.4	12.3
1962 . . . . .	97	1,239	45.8	43.4	10.8

Table 100—Types and amounts of outstanding equity capital of the 100 largest farmer marketing and supply cooperatives, by major function and income tax status, at the close of fiscal year 1976

Major function and income tax status	Cooperatives	Total equity capital	Percentage of total equity capital represented by—					
			Common stock	Preferred stock	Membership certificates (nonstock)	Certificates of equity and capital credits		Unallocated reserves
						Qualified	Nonqualified	
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>					
Farm supply . . . . .	14	996	22.4	53.1	0	11.5	0.2	12.8
Section 521 . . . . .	0	0	0	0	0	0	0	0
Nonsection 521 . . . . .	14	996	22.4	53.1	0	11.5	.2	12.8
Marketing . . . . .	60	1,117	15.1	13.3	.7	66.4	1.9	2.6
Section 521 . . . . .	30	450	10.6	10.7	<sup>1</sup>	80.1	.1	(1.5)
Nonsection 521 . . . . .	30	667	18.0	15.1	1.2	57.2	3.0	5.5
Marketing/supply . . . . .	26	1,379	24.1	11.6	<sup>1</sup>	42.1	.2	22.0
Section 521 . . . . .	6	214	2.0	5.0	0	88.1	0	4.9
Nonsection 521 . . . . .	20	1,165	28.2	12.8	<sup>1</sup>	33.7	.2	25.1
Total . . . . .	100	3,492	20.7	24.0	.2	41.2	.7	13.2
Section 521 . . . . .	36	664	7.8	8.8	<sup>1</sup>	82.7	.1	.6
Nonsection 521 . . . . .	64	2,828	23.7	27.5	.3	31.4	.9	16.2

<sup>1</sup> Less than 0.05 percent.

Table 101—Types of equity capital used by farmer marketing and supply cooperatives, by asset size of cooperatives, at close of fiscal year 1976<sup>1</sup>

Cooperatives by size of assets and number	Total equity capital	Percentage of total equity capital represented by—		
		Allocated capital		Unallocated reserves
		Common and preferred stock	Equity certificates and credits	
	<i>Million dollars</i>	<i>Percent</i>		
Largest 10 . . . . .	1,703	55.6	27.0	17.4
Next largest 90 . . . . .	1,789	34.4	56.4	9.2
Largest 100 . . . . .	3,492	44.7	42.1	13.2
All 5,795 . . . . .	7,727	34.4	50.5	15.1
5,795 minus 100 largest . . . .	4,235	25.9	57.4	16.7

<sup>1</sup> These are gross figures, intercooperative investments have not been eliminated.

The impact of data for the 100 largest cooperatives on combined data for all 5,795 cooperatives is apparent from the figures shown in table 101. When the 100 largest group, which accounted for 45 percent of combined equity of all the cooperatives, were excluded, the other 5,695 cooperatives had equity capital of \$4.2 billion. Capital stock represented only 26 percent of this, other types of equity certificates and credits represented over 57 percent, and unallocated reserves represented almost 17 percent.

Types of equity capital used by cooperatives not only varied by size of cooperatives, but also by major function, by principal product marketed, and by geographic location of the cooperative. Farm supply cooperatives have been much more inclined to

Table 102—Number of the 100 largest farmer marketing and supply cooperatives with any of specified types of equity capital outstanding at close of fiscal year 1976, by major function and income tax status of the cooperatives

Major function and income tax status	Total number of cooperatives	Cooperatives with any of their equity capital represented by—					
		Common stock	Preferred stock	Membership certificates (nonstock)	Certificates of equity and capital credits		Unallocated reserves
					Qualified	Nonqualified	
----- <i>Number</i> -----							
Farm supply . . . . .	14	10	8	0	7	1	12
Section 521 . . . . .	0	0	0	0	0	0	0
Nonsection 521 . . . . .	14	10	8	0	7	1	12
Marketing . . . . .	60	29	17	4	49	6	44
Section 521 . . . . .	30	11	8	1	26	1	14
Nonsection 521 . . . . .	30	18	9	3	23	5	30
Marketing/supply . . . . .	26	17	17	2	23	3	22
Section 521 . . . . .	6	4	4	0	6	0	3
Nonsection 521 . . . . .	20	13	13	2	17	3	19
Total . . . . .	100	56	42	6	79	10	78
Section 521 . . . . .	36	15	12	1	32	1	17
Nonsection 521 . . . . .	64	41	30	5	47	9	61

Table 103—Types and amounts of equity capital of the 86 largest farmer marketing and marketing/supply cooperatives, by principal product marketed, outstanding at the close of fiscal year 1976

Principal product marketed	Cooperatives	Total equity capital	Percentage of total equity capital represented by—					
			Common stock	Preferred stock	Membership certificates	Certificates of equity and capital credits		Unallocated reserves
						Qualified	Nonqualified	
		<i>Number</i>	<i>Million dollars</i>	----- <i>Percent</i> -----				
Diversified . . . . .	11	886	31.7	6.6	0	38.2	0.1	23.4
Cotton and products <sup>1</sup> . . . . .	5	46	<sup>2</sup>	0	0	133.2	0	(33.2)
Dairy products . . . . .	22	332	1.9	9.0	2.1	88.3	1.0	(2.3)
Fruits and vegetables . . . . .	15	231	10.4	2.3	.5	82.3	7.8	(3.3)
Grain and soybeans . . . . .	21	719	21.8	22.9	<sup>2</sup>	35.6	<sup>2</sup>	19.7
Poultry products . . . . .	3	22	<sup>2</sup>	2.0	<sup>2</sup>	95.6	0	2.4
Rice . . . . .	4	53	24.5	38.7	0	36.7	0	.1
Other products . . . . .	5	207	9.3	14.0	0	69.2	1.0	6.5
Total . . . . .	86	2,496	20.0	12.4	.3	53.0	.9	13.4

<sup>1</sup> One cooperative in this group had a deficit of over \$15 million in unallocated reserves at the close of the fiscal year, but also had qualified allocated equities of over \$17 million. If this cooperative is excluded from the group, the other 4 cooperatives had total equity capital of over \$44 million with 99 percent in qualified equity certificates and only 1 percent in unallocated reserves.

<sup>2</sup> Less than 0.05 percent.

issue capital stock then other types of equity paper, and marketing cooperatives have issued more nonstock paper (tables 100 and 102). Also, marketing cooperatives had very little in unallocated reserves compared to supply and marketing/farm supply cooperatives in 1976. Twelve of the marketing cooperatives had unallocated losses or a negative reserve or surplus account.

When the group of cooperatives engaged in marketing was examined by principal products marketed (tables 103 and 104), the cotton group, the fruit and vegetable group,

Table 104—Number of the 86 largest farmer marketing and marketing/supply cooperatives with any of the specified types of equity capital, by principal products marketed, outstanding at the close of fiscal year 1976

Principal product	Total number of coopera- tives	Cooperatives with any of their equity capital represented by—					Unallocated reserves
		Common stock	Preferred stock	Membership certificates (nonstock)	Certificates of equity and capital credits		
					Qualified	Nonqualified	
----- <i>Number</i> -----							
Diversified . . . . .	11	9	7	0	9	1	10
Cotton and cotton products . . . .	5	1	0	0	5	0	3
Dairy products . . . . .	22	7	6	3	21	1	16
Fruits and vegetables . . . . .	15	6	2	1	13	5	10
Grain, soybeans, and products . . .	21	15	14	1	14	1	20
Poultry products . . . . .	3	2	1	1	3	0	2
Rice . . . . .	4	3	3	0	2	0	2
Other products . . . . .	5	3	1	0	5	1	3
Total . . . . .	86	46	34	6	72	9	66

and the dairy group all had unallocated net losses rather than reserves in 1976. Grain marketing cooperatives, on the other hand, had unallocated reserves amounting to 20 percent of their total equity capital. Grain marketing cooperatives, located primarily in the Midwest, use capital stock extensively. Fruit and vegetable marketing cooperatives, located primarily on the west and east coasts, have traditionally issued various types of equity certificates instead of capital stock.

The balance sheets of only 10 of the 100 largest cooperatives showed any non-qualified equity paper. Nine of these were marketing cooperatives, and five of the nine were marketing fruits and vegetables. As indicated earlier, less than 1 percent of total equity capital of the 100 cooperatives was in the form of nonqualified paper.

Tables 105 and 106 show types and amounts of equity capital used by the 100 largest cooperatives based on location of headquarters by farm credit districts. Differences in types of equity issued by cooperatives in the various farm credit districts are accountable in part by differences in State cooperative and corporation laws and by types of cooperatives operating in each district. Leadership in organizing cooperatives over the years has also been a contributing factor in determining cooperative financial structure.

Tables 100 and 102 show types of equity capital used by the 100 largest farmer marketing and supply cooperatives in 1976 by Federal income tax status of the cooperatives as well as by major function.

The 36 cooperatives operating under section 521 had total equity capital of \$664 million, compared with total equity capital of \$2,828 million for the 64 cooperatives without section 521 status. Average equity capital for the section 521 cooperatives was \$18.5 million, while the average for the nonsection 521 group was \$44.2 million, indicating that the larger cooperatives were not operating under section 521 in 1976.

The section 521 cooperatives were primarily those involved in marketing. Less than 17 percent of their total equity capital was represented by capital stock, compared with over 51 percent for the group without section 521. The section 521 group of cooperatives also had less equity capital represented by unallocated reserves or surplus than the group without section 521—less than 1 percent compared with over 16 percent. Most of the equity capital of the section 521 cooperatives consisted of nonstock equity certificates and credits, nearly 83 percent. Nonstock equity certificates and credits accounted for only about a third of total equity capital for the 64 large cooperatives without section 521 status.

Table 105—Types and amounts of equity capital of the 100 largest farmer marketing and supply cooperatives, by farm credit districts, outstanding at the close of fiscal year 1976

Farm credit district	Coopera- tives	Total equity capital	Percentage of total equity capital represented by—					
			Common stock	Preferred stock	Membership certificates	Certificates of equity and capital credits		Unallocated reserves
						Qualified	Nonqualified	
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>					
Springfield . . . . .	5	202	10.2	19.5	0.1	6.3	0	63.9
Baltimore . . . . .	5	107	15.8	20.0	0	42.9	2.9	18.4
Columbia . . . . .	9	256	5.7	2.9	0	79.5	2.1	9.8
Louisville . . . . .	9	278	13.7	30.0	0	40.9	0	15.4
New Orleans . . . . .	3	171	62.3	4.8	0	26.9	0	6.0
St. Louis . . . . .	13	917	29.7	37.5	0	18.0	0	14.8
St. Paul . . . . .	13	707	6.9	35.2	0	51.6	.3	6.0
Omaha and Wichita . . . . .	6	250	62.9	10.2	0	6.7	0	20.2
Houston . . . . .	7	126	<sup>1</sup>	28.6	0	81.6	<sup>1</sup>	(10.2)
Sacramento . . . . .	23	411	10.4	1.7	2.0	79.1	3.6	3.2
Spokane . . . . .	7	67	9.0	23.0	<sup>1</sup>	60.5	0	7.5
Total . . . . .	100	3,492	20.7	24.0	.2	41.2	.7	13.2

<sup>1</sup> Less than 0.05 percent.

Table 106—Number of the 100 largest farmer marketing and supply cooperatives with any of the specified types of equity capital, by farm credit districts, outstanding at the close of fiscal year 1976

Farm credit district	Total number of cooperatives	Cooperatives with any of their equity capital represented by—					
		Common stock	Preferred stock	Membership certificates (nonstock)	Certificates of equity and capital credits		Unallocated reserves
					Qualified	Nonqualified	
----- <i>Number</i> -----							
Springfield . . . . .	5	2	2	1	3	0	3
Baltimore . . . . .	5	3	3	0	4	1	3
Columbia . . . . .	9	8	3	0	8	4	9
Louisville . . . . .	9	7	6	0	8	0	7
New Orleans . . . . .	3	3	2	0	3	0	2
St. Louis . . . . .	13	4	7	0	8	0	10
St. Paul . . . . .	13	10	8	0	11	1	11
Omaha and Wichita . . . . .	6	6	3	0	3	0	6
Houston . . . . .	7	3	3	0	5	1	4
Sacramento . . . . .	23	5	2	3	21	3	18
Spokane . . . . .	7	5	3	2	5	0	5
Total . . . . .	100	56	42	6	79	10	78

## Methods of Acquiring Equity Capital

Combined allocated equity capital of the 100 largest farmer marketing and supply cooperatives totaled a little over \$3 billion at the close of fiscal year 1976. This figure represents total equity capital of the cooperatives less their unallocated reserves of \$461 million. It includes all outstanding equity capital that had been allocated to or purchased

by members and patrons and, occasionally, others, but excludes all maturity-dated paper regardless of how acquired or to whom issued.

The \$3 billion investment was acquired by members and patrons through purchase of capital stock or other equity paper, by authorized deductions from sales proceeds in the form of per unit capital retains, or by investing a portion of savings or margins realized in operations and held by the cooperatives as retained or deferred patronage refunds.

Less than 14 percent of allocated equity of the 100 cooperatives outstanding at the close of fiscal year 1976 was purchased, 17 percent was acquired through per unit capital retains, and the other 69 percent through retention of patronage refunds (table 107). Comparable percentages in 1970 were: patronage refunds, 63 percent; per unit retains, 19 percent; and purchase, 19 percent.

Some cooperatives sell membership stock to members as voting shares. In many cases, the total amount of stock sold represents a one-time purchase when members join. Many of the cooperatives that sold stock or other equity certificates other than voting shares to members in earlier years were not selling either equity or debt paper in 1976. This was at least partially because of potential problems with registration requirements of the SEC applicable to farmer cooperatives no longer operating under section 521 of the Internal Revenue Code. Almost 5 percentage points less of the total allocated equity capital outstanding in 1976 was acquired by purchase compared with the percentage in 1970.

Table 107—Methods used to acquire allocated equity capital of the 100 largest farmer marketing and supply cooperatives, by major function and income tax status of the cooperatives, based on total allocated equity acquired by each method outstanding at close of fiscal years 1976 and 1970<sup>1</sup>

Major function, year, and income tax status	Coopera- tives	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>		
Farm supply:					
1976 . . . . .	14	868	21.4	78.0	0.6
Section 521 . . . . .	0	0	0	0	0
Nonsection 521 . . . . .	14	868	21.4	78.0	.6
1970 . . . . .	16	337	25.3	74.2	.5
Marketing:					
1976 . . . . .	60	1,087	9.0	43.4	47.6
Section 521 . . . . .	30	456	7.9	23.2	68.9
Nonsection 521 . . . . .	30	631	9.8	58.0	32.2
1970 . . . . .	62	607	8.4	45.8	45.8
Marketing/farm supply:					
1976 . . . . .	26	1,076	12.5	87.2	.3
Section 521 . . . . .	6	204	29.3	69.7	1.0
Nonsection 521 . . . . .	20	872	8.6	91.3	.1
1970 . . . . .	22	540	25.8	74.2	<sup>2</sup>
Total:					
1976 . . . . .	100	3,031	13.8	68.8	17.4
Section 521 . . . . .	36	660	14.5	37.5	48.0
Nonsection 521 . . . . .	64	2,371	13.6	77.6	8.8
1970 . . . . .	100	1,484	18.6	62.6	18.8

<sup>1</sup> Data on income tax status were not collected for 1970.

<sup>2</sup> Less than 0.05 percent.

However, a few large cooperatives have registered with the SEC and are regularly selling securities. Of the \$400 million equity capital outstanding in 1976 that had been acquired by purchase, much of it had been sold to members, patrons, and others by the cooperatives 10, 20, or more years earlier, or represented equity paper currently being sold by registered cooperatives.

Some cooperatives included in the 100 largest group were federated regionals or interregionals with their total equity capital consisting of shares of equity that were purchased. However, all these shares were purchased by member cooperatives only, and were purchased on the basis of patronage or potential patronage of each member.

Summary data in table 108 show that the largest 10 of the 100 largest cooperatives accounted for 46 percent of their total allocated equity capital outstanding at the close fiscal year 1976, and for 21 percent of that outstanding in all 5,795 cooperatives. This group of 10 cooperatives consisted primarily of large diversified or multipurpose organizations or of farm supply cooperatives involved in manufacturing. The largest 10 had combined allocated equity capital of \$1.4 billion, compared with \$1.6 billion for the other 90 combined.

Almost 19 percent of the equity capital of the largest 10 was purchased, compared with less than 9 percent for the other 90. Per unit retains were insignificant with the largest 10, since this method of acquiring capital has been used primarily by marketing cooperatives. This difference was made up by patronage refunds—81 percent for the largest 10, compared with 59 percent for the other 90.

A summary of data for the large cooperatives, compared with all 5,795 active cooperatives in 1976, is also shown in table 108. While members of the largest 100 cooperatives acquired almost 14 percent of their allocated equity capital by purchase (accounted for to a large extent by the largest 10), the other 5,695 cooperatives acquired only 8 percent of theirs by outright purchase. The 100 largest acquired 17.4 percent by the per unit capital retain route, compared with only 7.8 percent by the other 5,695 cooperatives.

Methods used to acquire equity capital by the 100 largest cooperatives varied significantly when the cooperatives were classified by major function. Table 107 shows methods used based on percentages of total allocated equity outstanding at the close of fiscal year 1976 that had been acquired by each method, and table 109 shows the number of cooperatives with any outstanding equity that had been acquired by each method.

The percentage of total equity that had been acquired by purchase varied from 9 percent for the marketing group to 21 percent for the supply group.

Table 108—Methods used to acquire allocated equity capital by farmer marketing and supply cooperatives, by asset size of cooperatives, based on total allocated equity outstanding at close of fiscal year 1976<sup>1</sup>

Cooperatives by size of assets and number	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
		Purchase	Patronage refunds retained	Per unit capital retains
	<i>Million dollars</i>	<i>-----Percent-----</i>		
Largest 10 .....	1,406	18.8	80.8	0.4
Next largest 90 .....	1,625	8.9	59.1	32.0
Largest 100 .....	3,031	13.8	68.8	17.4
All 5,795 .....	6,560	10.7	77.1	12.2
5,795 minus 100 largest .....	3,529	8.1	84.1	7.8

<sup>1</sup> These are gross figures; intercooperative investments have not been eliminated.

Table 109—Number of the 100 largest farmer marketing and supply cooperatives, by major function and income tax status, with any allocated equity capital acquired by specified methods, based on equity outstanding at close of fiscal year 1976

Major function and income tax status	Cooperatives	Cooperatives with any allocated equity capital acquired by—		
		Purchase	Patronage refunds retained	Per unit capital retains
----- <i>Number</i> -----				
Farm supply . . . . .	14	12	13	1
Section 521 . . . . .	0	0	0	0
Nonsection 521 . . . . .	14	12	13	1
Marketing . . . . .	60	28	41	35
Section 521 . . . . .	30	11	17	22
Nonsection 521 . . . . .	30	17	24	13
Marketing/farm supply . . . . .	26	22	24	3
Section 521 . . . . .	6	5	6	1
Nonsection 521 . . . . .	20	17	18	2
Total . . . . .	100	62	78	39
Section 521 . . . . .	36	16	23	23
Nonsection 521 . . . . .	64	46	55	16

The percentage for per unit retains was insignificant except for the marketing group. A larger percentage of total equity outstanding in the marketing cooperatives had been acquired by per unit capital retains than by patronage refunds—almost 48 percent compared with 43 percent.

As a result of their 1976 operations, the 60 largest marketing cooperatives acquired \$140 million allocated equity capital from members; 62 percent of this was through the per unit capital retain route. Per unit retain financing is popular with cooperatives marketing most all of the farm products except grain. Grain cooperatives, like those handling farm supplies, have historically relied heavily on allocated patronage refunds for acquiring equity capital.

Table 110 and 111 provide detail on methods used by the 86 large marketing and combination marketing/farm supply cooperatives to acquire their equity capital with the cooperatives classified by principal product marketed.

The relative importance of the three methods used to acquire equity capital by the 100 cooperatives when classified by the farm credit districts in which their headquarters were located is shown in tables 112 and 113. The percentage of total outstanding equity capital acquired by purchase ranged from lows of approximately 2 percent in the Houston, Spokane, and Omaha-Wichita districts to a high of over 68 percent in the New Orleans district. The sale of equity paper to member-patrons *on the basis of patronage* accounted in large part for the high percentage in the New Orleans and other districts. The percentage acquired by retaining patronage refunds ranged from lows of only 2 and 15 percent in the Springfield and Sacramento districts to highs of almost 98 and 93 percent in the Omaha-Wichita and St. Paul districts. Similarly, the percentage patrons contributed by the per unit capital retain method ranged from near zero in the New Orleans, Omaha-Wichita, Baltimore, and St. Paul districts to a high of almost 74 percent in the Sacramento district.

Methods used by the 100 largest cooperatives to acquire equity capital are shown in tables 107 and 109 by Federal income tax status of the cooperatives as well as by major function.

Table 110—Methods used to acquire allocated equity capital of the largest farmer marketing and marketing/supply cooperatives, by principal product marketed, based on total allocated equity capital acquired by each method outstanding at close of fiscal years 1976 and 1970

Principal product marketed and year	Cooperatives	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>		
Diversified:					
1976 .....	11	679	16.1	83.9	0
1970 .....	14	411	29.9	70.0	.1
Cotton and cotton products:					
1976 .....	5	61	<sup>1</sup>	60.9	39.1
1970 .....	6	44	<sup>1</sup>	54.2	45.8
Dairy products:					
1976 .....	22	339	6.9	58.1	35.0
1970 .....	19	209	3.9	59.2	36.9
Fruits and vegetables:					
1976 .....	15	239	5.3	3.6	91.1
1970 .....	18	164	5.0	20.2	74.8
Grain, soybeans, and products:					
1976 .....	21	577	5.3	90.4	4.3
1970 .....	14	207	13.4	81.6	5.0
Poultry products:					
1976 .....	3	21	2.1	94.5	3.4
1970 .....	3	11	5.4	94.6	<sup>1</sup>
Rice:					
1976 .....	4	53	4.3	14.0	81.7
1970 .....	4	32	9.5	23.8	66.7
Other products:					
1976 .....	5	194	27.5	25.2	47.3
1970 .....	6	69	28.0	33.6	38.4
Total:					
1976 .....	86	2,163	10.7	65.2	24.1
1970 .....	84	1,147	16.6	59.2	24.2

<sup>1</sup> Less than 0.05 percent.

Table 111—Number of the 86 largest farmer marketing and marketing/supply cooperatives, by principal products marketed, that acquired by specified methods any allocated equity capital outstanding at the close of fiscal year 1976

Principal product	Total number of cooperatives	Cooperatives with any of their total allocated equity capital acquired by—		
		Purchase	Patronage refunds retained	Per unit capital retains
		<i>----- Number -----</i>		
Diversified .....	11	10	9	0
Cotton and cotton products .....	5	1	3	2
Dairy products .....	22	11	18	13
Fruits and vegetables .....	15	8	6	12
Grain, soybeans, and products .....	21	12	20	1
Poultry products .....	3	3	3	1
Rice .....	4	2	3	4
Other products .....	5	3	3	5
Total .....	86	50	65	38

Table 112—Methods used to acquire allocated equity capital of the 100 largest farmer marketing and supply cooperatives, by farm credit districts, based on total allocated equity acquired by each method outstanding at close of fiscal years 1976 and 1970

Farm credit district and year	Cooperatives	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>		
Springfield:					
1976 .....	5	73	56.6	1.7	41.7
1970 .....	8	53	47.9	16.9	35.2
Baltimore:					
1976 .....	5	87	25.1	74.1	0.8
1970 .....	7	73	19.4	62.2	18.4
Columbia:					
1976 .....	9	231	29.3	50.4	20.3
1970 .....	10	137	38.3	45.4	16.3
Louisville:					
1976 .....	9	235	7.9	76.8	15.3
1970 .....	9	115	26.4	60.2	13.4
New Orleans:					
1976 .....	3	161	68.5	31.5	0
1970 .....	4	74	73.0	27.0	1
St. Louis:					
1976 .....	13	781	8.5	83.3	8.2
1970 .....	11	267	18.7	73.2	8.1
St. Paul:					
1976 .....	13	665	6.1	93.0	.9
1970 .....	12	313	3.5	96.1	.4
Omaha and Wichita:					
1976 .....	6	199	2.4	97.6	0
1970 .....	5	95	6.0	94.0	1
Houston:					
1976 .....	7	139	1.6	73.1	25.3
1970 .....	6	76	.1	72.0	27.9
Sacramento:					
1976 .....	23	398	11.1	15.0	73.9
1970 .....	22	232	13.9	18.1	68.0
Spokane:					
1976 .....	7	62	1.8	77.5	20.7
1970 .....	6	49	.6	83.6	15.8
Total:					
1976 .....	100	3,031	13.8	68.8	17.4
1970 .....	100	1,484	18.6	62.6	18.8

<sup>1</sup> Less than 0.05 percent.

Table 113—Number of the 100 largest farmer marketing and supply cooperatives, by farm credit districts, with any allocated equity capital acquired by specified methods outstanding at the close of fiscal year 1976

Farm credit district	Total number of cooperatives	Cooperatives with any of their total allocated equity capital acquired by—		
		Purchase	Patronage refunds retained	Per unit capital retains
----- <i>Number</i> -----				
Springfield . . . . .	5	3	1	3
Baltimore . . . . .	5	3	4	1
Columbia . . . . .	9	9	7	4
Louisville . . . . .	9	6	9	2
New Orleans . . . . .	3	3	3	0
St. Louis . . . . .	13	7	11	3
St. Paul . . . . .	13	11	13	2
Omaha and Wichita . . . . .	6	2	6	0
Houston . . . . .	7	3	7	2
Sacramento . . . . .	23	9	11	20
Spokane . . . . .	7	6	6	2
Total . . . . .	100	62	78	39

The percentage of total allocated equity capital outstanding at the close of fiscal year 1976 that had been purchased outright did not vary substantially for cooperatives operating under section 521 and those that were not. Since most of the large cooperatives operating under section 521 were primarily marketing organizations, this group reported a higher percentage of their total equity capital had been acquired through the per unit capital retain route—48 percent compared with less than 9 percent.

### Methods Used to Acquire Equity Capital by Types of Equity

The importance of each method used to acquire equity capital varied not only according to the major function, principal product marketed, and geographic location of the cooperatives but also according to type of equity.

Tables 114 through 119 show how patrons of the 100 largest cooperatives acquired common stock, preferred stock, membership certificates (nonstock), qualified certificates of equity and credits, and nonqualified certificates of equity and credits. Data are shown separately with the cooperatives classified by major function, principal product marketed, and location by farm credit district.

*Common stock*—Of the 100 cooperatives, 56 had outstanding common stock at the close of fiscal year 1976 totaling \$723.6 million. Twenty-one percent of this had been purchased outright, 4 percent had been allocated to patrons through the per unit capital retain route, and the other 75 percent resulted from retention of patronage refunds.

*Preferred stock*—Forty-two of the 100 cooperatives had outstanding preferred stock amounting to \$837 million. Of this, 23 percent was purchased, 2 percent was acquired through authorized deductions on a per unit retain basis, and 75 percent was allocated to patrons as deferred patronage refunds.

*Membership certificates*—Nonstock membership certificates were issued by 6 of the 100 largest cooperatives. Some of the other cooperatives that did not have voting shares of stock may have issued membership certificates to qualified voting members, but if so it was not listed on the balance sheets with monetary value. The membership certificates listed were purchased by five of the six cooperatives, and their total value was only \$8 million.

*Qualified equity certificates and credits*—Of the largest 100 cooperatives, 79 reported qualified equity certificates and credits totaling \$1,437 million outstanding at the close of fiscal year 1976. Only 4 percent of this membership capital had been purchased. Nearly one-third was acquired as allocated per unit capital retains and the other 63 percent as allocated patronage refunds.

*Nonqualified equity certificates and credits*—Only 10 of the 100 largest cooperatives had any nonqualified equity certificates and credits on their balance sheets at the close of fiscal year 1976. The total nonqualified credits amounted to less than \$26 million. Nearly 56 percent was acquired through the per unit capital retain route and the other 44 percent through allocation of patronage refunds.

Table 114—Methods used by the 100 largest farmer marketing and supply cooperatives, by major function, to acquire various types of allocated equity capital outstanding at close of fiscal year 1976

Major function and type of equity capital	Cooperatives <sup>1</sup>	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	Number	1,000 dollars	Percent		
Farm supply . . . . .	14	868,401	21.4	78.0	0.6
Common stock . . . . .	10	223,562	51.7	48.3	0
Preferred stock . . . . .	8	528,727	12.2	87.8	0
Membership certificates . . . . .	0	0	0	0	0
Qualified certificates and credits . . . . .	7	114,112	5.3	89.9	4.8
Nonqualified certificates and credits . . . . .	1	2,000	0	100.0	0
Marketing . . . . .	60	1,086,858	9.0	43.4	47.6
Common stock . . . . .	29	167,836	19.5	63.0	17.5
Preferred stock . . . . .	17	148,684	33.9	55.0	11.1
Membership certificates . . . . .	4	8,123	99.9	.1	0
Qualified certificates and credits . . . . .	49	741,247	.9	37.4	61.7
Nonqualified certificates and credits . . . . .	6	20,968	0	32.1	67.9
Marketing/supply . . . . .	26	1,075,682	12.5	87.2	.3
Common stock . . . . .	17	332,177	2.1	97.9	0
Preferred stock . . . . .	17	159,642	49.8	50.2	0
Membership certificates . . . . .	2	8	100.0	0	0
Qualified certificates and credits . . . . .	23	581,229	8.3	91.2	0.5
Nonqualified certificates and credits . . . . .	3	2,626	0	100.0	0
Total—all cooperatives . . . . .	100	3,030,941	13.8	68.8	17.4
Common stock . . . . .	56	723,575	21.5	74.5	4.0
Preferred stock . . . . .	42	837,053	23.2	74.8	2.0
Membership certificates . . . . .	6	8,131	99.9	.1	0
Qualified certificates and credits . . . . .	79	1,436,588	4.2	63.3	32.5
Nonqualified certificates and credits . . . . .	10	25,594	0	44.4	55.6

<sup>1</sup> Numbers do not add to totals because most cooperatives have more than one type of allocated equity capital.

Table 115—Number of the 100 largest farmer marketing and supply cooperatives, by major function, that used specified methods to acquire various types of allocated equity capital outstanding at close of fiscal year 1976<sup>1</sup>

Major function and type of equity capital	Cooperatives	Cooperatives acquiring any of their allocated equity capital by—		
		Purchase	Patronage refunds retained	Per unit capital retains
----- <i>Number</i> -----				
Farm supply . . . . .	14	12	13	1
Common stock . . . . .	10	10	4	0
Preferred stock . . . . .	8	7	4	0
Membership certificates . . . . .	0	0	0	0
Qualified certificates and credits . . . . .	7	1	6	1
Nonqualified certificates and credits . . . . .	1	0	1	0
Marketing . . . . .	60	28	41	35
Common stock . . . . .	29	22	8	3
Preferred stock . . . . .	17	11	11	4
Membership certificates . . . . .	4	3	1	0
Qualified certificates and credits . . . . .	49	4	31	30
Nonqualified certificates and credits . . . . .	6	0	4	3
Marketing/farm supply . . . . .	26	22	24	3
Common stock . . . . .	17	13	7	0
Preferred stock . . . . .	17	16	4	0
Membership certificates . . . . .	2	2	0	0
Qualified certificates and credits . . . . .	23	2	23	3
Nonqualified certificates and credits . . . . .	3	0	3	0
Total—all cooperatives . . . . .	100	62	78	39
Common stock . . . . .	56	45	19	3
Preferred stock . . . . .	42	34	19	4
Membership certificates . . . . .	6	5	1	0
Qualified certificates and credits . . . . .	79	7	60	34
Nonqualified certificates and credits . . . . .	10	0	8	3

<sup>1</sup> Numbers do not add to totals because most cooperatives have more than one type of allocated equity capital.

Table 116—Methods used by the 86 largest farmer marketing and marketing/supply cooperatives, by principal products marketed, to acquire various types of allocated equity capital outstanding at close of fiscal year 1976

Principal product and type of equity capital	Coopera- tives <sup>1</sup>	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>1,000 dollars</i>	<i>Percent</i>		
Diversified . . . . .	11	678,557	16.1	83.9	0
Common stock . . . . .	9	281,205	2.3	97.7	0
Preferred stock . . . . .	7	58,601	95.2	4.8	0
Membership certificates . . . . .	0	0	0	0	0
Qualified certificates and credits . . . . .	9	338,374	13.9	86.1	0
Nonqualified certificates and credits . . . . .	1	377	0	100.0	0
Cotton and products . . . . .	5	61,017	<sup>2</sup>	60.9	39.1
Common stock . . . . .	1	9	100.0	0	0
Preferred stock . . . . .	0	0	0	0	0
Membership certificates . . . . .	0	0	0	0	0
Qualified certificates and credits . . . . .	5	61,008	0	60.9	39.1
Nonqualified certificates and credits . . . . .	0	0	0	0	0

(Continued)

Table 116—Methods used by the 86 largest farmer marketing and marketing/supply cooperatives, by principal products marketed, to acquire various types of allocated equity capital outstanding at close of fiscal year 1976—*Continued*

Principal product and type of equity capital	Cooperatives <sup>1</sup>	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>1,000 dollars</i>	<i>Percent</i>		
Dairy products . . . . .	22	339,418	6.9	58.1	35.0
Common stock . . . . .	7	6,174	35.8	52.2	12.0
Preferred stock . . . . .	6	29,996	44.2	55.8	0
Membership certificates . . . . .	3	6,943	100.0	0	0
Qualified certificates and credits . . . . .	21	293,141	.4	59.3	40.3
Nonqualified certificates and credits . . . . .	1	3,164	0	100.0	0
Fruits and vegetables . . . . .	15	239,021	5.3	3.6	91.1
Common stock . . . . .	6	23,997	34.8	0	65.2
Preferred stock . . . . .	2	5,370	37.3	0	62.7
Membership certificates . . . . .	1	1,180	100.0	0	0
Qualified certificates and credits . . . . .	13	190,444	.6	2.6	96.8
Nonqualified certificates and credits . . . . .	5	18,030	0	21.1	78.9
Grain, soybeans, and products . . . . .	21	577,192	5.3	90.4	4.3
Common stock . . . . .	15	156,437	2.2	97.8	0
Preferred stock . . . . .	14	164,543	16.6	83.4	0
Membership certificates . . . . .	1	8	0	100.0	0
Qualified certificates and credits . . . . .	14	256,187	<sup>2</sup>	90.3	9.7
Nonqualified certificates and credits . . . . .	1	17	0	100.0	0
Poultry products . . . . .	3	20,896	2.1	94.5	3.4
Common stock . . . . .	2	9	100.0	0	0
Preferred stock . . . . .	1	427	100.0	0	0
Membership certificates . . . . .	1	<sup>3</sup>	100.0	0	0
Qualified certificates and credits . . . . .	3	20,460	0	96.5	3.5
Nonqualified certificates and credits . . . . .	0	0	0	0	0
Rice . . . . .	4	52,886	4.3	14.0	81.7
Common stock . . . . .	3	12,979	.1	.2	99.7
Preferred stock . . . . .	3	20,470	11.2	24.9	63.9
Membership certificates . . . . .	0	0	0	0	0
Qualified certificates and credits . . . . .	2	19,437	0	11.8	88.2
Nonqualified certificates and credits . . . . .	0	0	0	0	0
Other products . . . . .	5	193,553	27.5	25.2	47.3
Common stock . . . . .	3	19,203	100.0	0	0
Preferred stock . . . . .	1	28,919	100.0	0	0
Membership certificates . . . . .	0	0	0	0	0
Qualified certificates and credits . . . . .	5	143,425	3.6	32.6	63.8
Nonqualified certificates and credits . . . . .	1	2,006	0	100.0	0
Total . . . . .	86	2,162,540	10.7	65.2	24.1
Common stock . . . . .	46	500,013	7.9	86.2	5.9
Preferred stock . . . . .	34	308,326	42.2	52.5	5.3
Membership certificates . . . . .	6	8,131	99.9	.1	0
Qualified certificates and credits . . . . .	72	1,322,476	4.1	61.1	34.8
Nonqualified certificates and credits . . . . .	9	23,594	0	39.7	60.3

<sup>1</sup> Numbers do not add to totals because most cooperatives have more than one type of allocated equity capital.

<sup>2</sup> Less than 0.05 percent.

<sup>3</sup> Less than \$500.

Table 117—Number of the 86 largest farmer marketing and marketing/supply cooperatives, by principal products marketed, that used specified methods to acquire various types of allocated equity capital outstanding at close of fiscal year 1976<sup>1</sup>

Principal product and type of equity capital	Cooperatives	Cooperatives with any of total allocated equity capital acquired by—		
		Purchase	Patronage refunds retained	Per unit capital retains
-----Number-----				
Diversified . . . . .	11	10	9	0
Common stock . . . . .	9	8	2	0
Preferred stock . . . . .	7	7	1	0
Membership certificates . . . . .	0	0	0	0
Qualified certificates and credits . . . . .	9	1	9	0
Nonqualified certificates and credits . . . . .	1	0	1	0
Cotton and products . . . . .	5	1	3	2
Common stock . . . . .	1	1	0	0
Preferred stock . . . . .	0	0	0	0
Membership certificates . . . . .	0	0	0	0
Qualified certificates and credits . . . . .	5	0	3	2
Nonqualified certificates and credits . . . . .	0	0	0	0
Dairy products . . . . .	22	11	18	13
Common stock . . . . .	7	6	2	1
Preferred stock . . . . .	6	4	5	0
Membership certificates . . . . .	3	3	0	0
Qualified certificates and credits . . . . .	21	1	18	12
Nonqualified certificates and credits . . . . .	1	0	1	0
Fruits and vegetables . . . . .	15	8	6	12
Common stock . . . . .	6	6	0	1
Preferred stock . . . . .	2	2	0	1
Membership certificates . . . . .	1	1	0	0
Qualified certificates and credits . . . . .	13	2	4	11
Nonqualified certificates and credits . . . . .	5	0	3	3
Grain, soybeans and products . . . . .	21	12	20	1
Common stock . . . . .	15	7	10	0
Preferred stock . . . . .	14	10	8	0
Membership certificates . . . . .	1	0	1	0
Qualified certificates and credits . . . . .	14	1	12	1
Nonqualified certificates and credits . . . . .	1	0	1	0
Poultry products . . . . .	3	3	3	1
Common stock . . . . .	2	2	0	0
Preferred stock . . . . .	1	1	0	0
Membership certificates . . . . .	1	1	0	0
Qualified certificates and credits . . . . .	3	0	3	1
Nonqualified certificates and credits . . . . .	0	0	0	0
Rice . . . . .	4	2	3	4
Common stock . . . . .	3	2	1	1
Preferred stock . . . . .	3	2	1	3
Membership certificates . . . . .	0	0	0	0
Qualified certificates and credits . . . . .	2	0	2	1
Nonqualified certificates and credits . . . . .	0	0	0	0

(Continued)

Table 117—Number of the 86 largest farmer marketing and marketing/supply cooperatives, by principal products marketed, that used specified methods to acquire various types of allocated equity capital outstanding at close of fiscal year 1976—*Continued*

Principal product and type of equity capital	Cooperatives	Cooperatives with any of total allocated equity capital acquired by--		
		Purchase	Patronage refunds retained	Per unit capital retains
<hr/> <i>Number</i> <hr/>				
Other products . . . . .	5	3	3	5
Common stock . . . . .	3	3	0	0
Preferred stock . . . . .	1	1	0	0
Membership certificates . . . . .	0	0	0	0
Qualified certificates and credits . . . . .	5	1	3	5
Nonqualified certificates and credits . . . . .	1	0	1	0
<hr/>				
Total . . . . .	86	50	65	38
Common stock . . . . .	46	35	15	3
Preferred stock . . . . .	34	27	15	4
Membership certificates . . . . .	6	5	1	0
Qualified certificates and credits . . . . .	72	6	54	33
Nonqualified certificates and credits . . . . .	9	0	7	3

<sup>1</sup> Numbers do not add to totals because most cooperatives have more than one type of allocated equity capital.

Table 118—Methods used by the 100 largest farmer marketing and supply cooperatives, by farm credit districts, to acquire various types of allocated equity capital outstanding at close of fiscal year 1976

Farm credit district and type of equity capital	Coopera- tives <sup>1</sup>	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>1,000 dollars</i>	<i>----- Percent -----</i>		
Springfield . . . . .	5	73,056	56.6	1.7	41.7
Common stock . . . . .	2	20,631	24.1	0	75.9
Preferred stock . . . . .	2	39,602	91.5	0	8.5
Membership certificates . . . . .	1	105	100.0	0	0
Qualified certificates and credits . . . . .	3	12,718	0	10.0	90.0
Nonqualified certificates and credits . . . . .	0	0	0	0	0
Baltimore . . . . .	5	87,280	25.1	74.1	.8
Common stock . . . . .	3	16,860	3.0	92.6	4.4
Preferred stock . . . . .	3	21,363	100.0	0	0
Membership certificates . . . . .	0	0	0	0	0
Qualified certificates and credits . . . . .	4	45,893	0	100.0	0
Nonqualified certificates and credits . . . . .	1	3,164	0	100.0	0
Columbia . . . . .	9	230,961	29.3	50.4	20.3
Common stock . . . . .	8	14,623	83.2	16.8	0
Preferred stock . . . . .	3	7,500	100.0	0	0
Membership certificates . . . . .	0	0	0	0	0
Qualified certificates and credits . . . . .	8	203,338	23.6	54.3	22.1
Nonqualified certificates and credits . . . . .	4	5,500	0	64.9	35.1
Louisville . . . . .	9	234,823	7.9	76.8	15.3
Common stock . . . . .	7	38,165	1.1	98.9	0
Preferred stock . . . . .	6	83,214	21.8	78.2	0
Membership certificates . . . . .	0	0	0	0	0
Qualified certificates and credits . . . . .	8	113,444	0	68.2	31.8
Nonqualified certificates and credits . . . . .	0	0	0	0	0

(Continued)

Table 118—Methods used by the 100 largest farmer marketing and supply cooperatives, by farm credit districts, to acquire various types of allocated equity capital outstanding at close of fiscal year 1976—*Continued*

Farm credit district and type of equity capital	Cooperatives	Total allocated equity capital	Percentage of total allocated equity capital acquired by—		
			Purchase	Patronage refunds retained	Per unit capital retains
	<i>Number</i>	<i>1,000 dollars</i>	<i>Percent</i>		
New Orleans	3	160,653	68.5	31.5	0
Common stock	3	106,485	95.6	4.4	0
Preferred stock	2	8,261	100.0	0	0
Membership certificates	0	0	0	0	0
Qualified certificates and credits	3	45,907	0	100.0	0
Nonqualified certificates and credits	0	0	0	0	0
St. Louis	13	781,453	8.5	83.3	8.2
Common stock	4	272,264	<sup>2</sup>	100.0	0
Preferred stock	7	344,302	19.2	80.8	0
Membership certificates	0	0	0	0	0
Qualified certificates and credits	8	164,887	0	61.2	38.8
Nonqualified certificates and credits	0	0	0	0	0
St. Paul	13	664,931	6.1	93.0	.9
Common stock	10	48,799	4.1	95.9	0
Preferred stock	8	248,822	12.9	87.1	0
Membership certificates	0	0	0	0	0
Qualified certificates and credits	11	365,304	1.7	96.6	1.7
Nonqualified certificates and credits	1	2,006	0	100.0	0
Omaha and Wichita	6	199,102	2.4	97.6	0
Common stock	6	156,908	1.7	98.3	0
Preferred stock	3	25,506	8.2	91.8	0
Membership certificates	0	0	0	0	0
Qualified certificates and credits	3	16,688	.2	99.8	0
Nonqualified certificates and credits	0	0	0	0	0
Houston	7	138,902	1.6	73.1	25.3
Common stock	3	25	100.0	0	0
Preferred stock	3	35,967	6.1	77.0	16.9
Membership certificates	0	0	0	0	0
Qualified certificates and credits	5	102,893	0	71.8	28.2
Nonqualified certificates and credits	1	17	0	100.0	0
Sacramento	23	398,021	11.1	15.0	73.9
Common stock	5	42,796	69.7	.1	30.2
Preferred stock	2	7,137	1.8	0	98.2
Membership certificates	3	8,010	100.0	0	0
Qualified certificates and credits	21	325,171	1.9	17.5	80.6
Nonqualified certificates and credits	3	14,907	0	17.5	82.5
Spokane	7	61,759	1.8	77.5	20.7
Common stock	5	6,019	15.5	84.5	0
Preferred stock	3	15,379	1.0	99.0	0
Membership certificates	2	16	50.0	50.0	0
Qualified certificates and credits	5	40,345	0	68.3	31.7
Nonqualified certificates and credits	0	0	0	0	0
Total	100	3,030,941	13.8	68.8	17.4
Common stock	56	723,575	21.5	74.5	4.0
Preferred stock	42	837,053	23.2	74.8	2.0
Membership certificates	6	8,131	99.9	.1	0
Qualified certificates and credits	79	1,436,588	4.2	63.3	32.5
Nonqualified certificates and credits	10	25,594	0	44.4	55.6

<sup>1</sup> Numbers do not add to totals because most cooperatives have more than one type of allocated equity capital.

<sup>2</sup> Less than 0.05 percent.

Table 119—Number of the 100 largest farmer marketing and supply cooperatives, by farm credit districts, that used specified methods to acquire various types of allocated equity capital outstanding at close of fiscal year 1976<sup>1</sup>

Farm credit district and type of equity capital	Cooperatives	Cooperatives with any of total allocated equity capital acquired by—		
		Purchase	Patronage refunds retained	Per unit capital retains

----- Number -----

Springfield . . . . .	5	3	1	3
Common stock . . . . .	2	2	0	1
Preferred stock . . . . .	2	2	0	1
Membership certificates . . . . .	1	1	0	0
Qualified certificates and credits . . . . .	3	0	1	2
Nonqualified certificates and credits . . . . .	0	0	0	0
Baltimore . . . . .	5	3	4	1
Common stock . . . . .	3	2	1	1
Preferred stock . . . . .	3	3	0	0
Membership certificates . . . . .	0	0	0	0
Qualified certificates and credits . . . . .	4	0	4	0
Nonqualified certificates and credits . . . . .	1	0	1	0
Columbia . . . . .	9	9	7	4
Common stock . . . . .	8	7	1	0
Preferred stock . . . . .	3	3	0	0
Membership certificates . . . . .	0	0	0	0
Qualified certificates and credits . . . . .	8	2	6	4
Nonqualified certificates and credits . . . . .	4	0	3	2
Louisville . . . . .	9	6	9	2
Common stock . . . . .	7	4	5	0
Preferred stock . . . . .	6	5	2	0
Membership certificates . . . . .	0	0	0	0
Qualified certificates and credits . . . . .	8	0	8	2
Nonqualified certificates and credits . . . . .	0	0	0	0
New Orleans . . . . .	3	3	3	0
Common stock . . . . .	3	3	1	0
Preferred stock . . . . .	2	2	0	0
Membership certificates . . . . .	0	0	0	0
Qualified certificates and credits . . . . .	3	0	3	0
Nonqualified certificates and credits . . . . .	0	0	0	0
St. Louis . . . . .	13	7	11	3
Common stock . . . . .	4	4	1	0
Preferred stock . . . . .	7	7	5	0
Membership certificates . . . . .	0	0	0	0
Qualified certificates and credits . . . . .	8	0	7	3
Nonqualified certificates and credits . . . . .	0	0	0	0
St. Paul . . . . .	13	11	13	2
Common stock . . . . .	10	10	2	0
Preferred stock . . . . .	8	5	5	0
Membership certificates . . . . .	0	0	0	0
Qualified certificates and credits . . . . .	11	2	11	2
Nonqualified certificates and credits . . . . .	1	0	1	0

(Continued)

Table 119—Number of the 100 largest farmer marketing and supply cooperatives, by farm credit districts, that used specified methods of acquire various types of allocated equity capital outstanding at close of fiscal year 1976—Continued

Farm credit district and type of equity capital	Cooperatives	Cooperatives with any of total allocated equity capital acquired by—		
		Purchase	Patronage refunds retained	Per unit capital retains
-----Number-----				
Omaha and Wichita . . . . .	6	2	6	0
Common stock . . . . .	6	2	5	0
Preferred stock . . . . .	3	2	2	0
Membership certificates . . . . .	0	0	0	0
Qualified certificates and credits . . . . .	3	1	2	0
Nonqualified certificates and credits . . . . .	0	0	0	0
Houston . . . . .	7	3	7	2
Common stock . . . . .	3	3	0	0
Preferred stock . . . . .	3	2	3	1
Membership certificates . . . . .	0	0	0	0
Qualified certificates and credits . . . . .	5	0	5	1
Nonqualified certificates and credits . . . . .	1	0	1	0
Sacramento . . . . .	23	9	11	20
Common stock . . . . .	5	4	1	1
Preferred stock . . . . .	2	1	0	2
Membership certificates . . . . .	3	3	0	0
Qualified certificates and credits . . . . .	21	2	8	18
Nonqualified certificates and credits . . . . .	3	0	2	1
Spokane . . . . .	7	6	6	2
Common stock . . . . .	5	4	2	0
Preferred stock . . . . .	3	2	2	0
Membership certificates . . . . .	2	1	1	0
Qualified certificates and credits . . . . .	5	0	5	2
Nonqualified certificates and credits . . . . .	0	0	0	0
Total . . . . .	100	62	78	39
Common stock . . . . .	56	45	19	3
Preferred stock . . . . .	42	34	19	4
Membership certificates . . . . .	6	5	1	0
Qualified certificates and credits . . . . .	79	7	60	34
Nonqualified certificates and credits . . . . .	10	0	8	3

<sup>1</sup> Numbers do not add to totals because most cooperatives have more than one type of allocated equity capital.

## Borrowed Capital

Total outstanding borrowed capital of the 100 largest farmer marketing and supply cooperatives at the close of their 1976 fiscal years was \$4.1 billion. This compares with \$1.7 billion in 1970 and \$677 million in 1962 (table 120).

These figures do not represent annual peak borrowings, since they do not take into consideration seasonal credit demands. The cooperatives used additional millions of dollars in 1976 to finance their seasonal short-term capital needs. Very little of these seasonal borrowings is reflected in these figures unless they happened to be outstanding at the close of the fiscal year. All of the 100 cooperatives had some borrowed capital on their books at the close of the year.

Table 120—Sources of borrowed capital for the 100 largest farmer marketing and supply cooperatives, by major function based on amounts outstanding at the close of fiscal years 1976, 1970 and 1962

Major function and year	Coopera- tives	Total borrowed capital	Percentage of total borrowed capital obtained from—					
			Banks for coopera- tives	Com- mercial banks	Issuance of debt securities	Leases and industrial revenue bonds	Other coopera- tives	Other sources
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>					
Farm supply:								
1976 .....	14	820	53.1	12.6	8.0	15.1	1.5	9.7
1970 .....	16	246	63.8	18.5	10.6	'	'	7.1 <sup>2</sup>
1962 .....	15	72	55.4	1.7	26.6	'	'	16.3 <sup>2</sup>
Marketing:								
1976 .....	60	1,517	70.8	12.4	14.0	.8	.2	1.8
1970 .....	62	678	68.1	10.7	16.7	'	'	4.5 <sup>2</sup>
1962 .....	61	299	48.9	11.7	34.0	'	'	5.4 <sup>2</sup>
Marketing/supply:								
1976 .....	26	1,799	46.8	6.9	36.6	3.5	1.3	4.9
1970 .....	22	759	56.1	8.1	33.6	'	'	2.2 <sup>2</sup>
1962 .....	21	306	50.8	6.7	35.7	'	'	6.8 <sup>2</sup>
Total:								
1976 .....	100	4,136	56.9	10.0	22.7	4.8	.9	4.7
1970 .....	100	1,683	62.0	10.7	23.4	'	'	3.9 <sup>2</sup>
1962 .....	97	677	50.5	8.4	34.0	'	'	7.1 <sup>2</sup>

<sup>1</sup> Data not reported separately but included in other sources for 1970 and 1962.

<sup>2</sup> See footnote 1.

Since two-thirds of total borrowed capital of all marketing and farm supply cooperatives outstanding at the close of fiscal year 1976 was borrowed by the 100 largest cooperatives, their credit picture does not differ substantially from that reported for all cooperatives. Table 121 shows sources of borrowed capital outstanding at the close of the fiscal year with the cooperatives grouped by size of assets. The impact of the credit picture of the 10 largest cooperatives is very significant since they accounted for almost 47 percent of the total borrowings of the 100 largest group and for over 31 percent of outstanding borrowings of all 5,795 active cooperatives in 1976.

The banks for cooperatives are by far the major source of credit for cooperatives, regardless of how the cooperatives are classified. However, they supply a much larger percentage of total credit used by the smaller cooperatives than the large ones. When the 100 largest cooperatives were excluded, the remaining 5,695 active cooperatives in 1976 obtained over 73 percent of their outstanding borrowed capital from the banks for cooperatives. Sixty-eight percent of total outstanding borrowed capital of all cooperatives except the 100 largest at the close of fiscal year 1970 was obtained from the banks for cooperatives. These figures show that the banks for cooperatives increased their proportion of borrowed capital with the smaller cooperatives between 1970 and 1976, but that the 100 largest obtained a smaller percentage of their total borrowings from the banks for cooperatives in 1976 than in 1970 (table 120). Ninety-one of the 100 largest cooperatives had loans outstanding with the cooperative banks at the close of fiscal year 1976 (table 122).

Table 121—Sources of borrowed capital of farmer marketing and supply cooperatives, by asset size of cooperatives, based on amounts outstanding at close of fiscal year 1976

Cooperatives by size of assets and number	Total borrowed capital	Total borrowed capital obtained from—						
		Banks for cooperatives	Commercial banks	Issuance of debt securities	Leases and industrial revenue bonds	Other cooperatives	Insurance companies	Other sources
	<i>Million dollars</i>	<i>Percent</i>						
Largest 10 .....	1,941	46.6	10.1	26.4	8.3	0.9	7.1	0.6
Next largest 90 .....	2,195	65.9	9.9	19.3	1.8	1.0	.2	1.9
Largest 100 .....	4,136	56.9	10.0	22.7	4.8	.9	3.4	1.3
All 5,795 .....	6,149	62.2	9.5	18.9	3.6	1.9	<sup>1</sup>	3.9
5,795 minus 100 largest .....	2,013	73.2	8.5	11.1	1.0	4.0	<sup>1</sup>	2.2

<sup>1</sup> Borrowings from insurance companies were not tabulated separately for any cooperatives except the 100 largest; all other cooperatives borrowings from insurance companies were included with other sources.

Table 122—Number of the 100 largest farmer marketing and supply cooperatives, by major function, with any borrowed capital from specified sources outstanding at the close of fiscal year 1976

Major function	Total number of cooperatives	Cooperatives with any borrowed capital from—					
		Banks for cooperatives	Commercial banks	Issuance of debt securities	Leases and industrial revenue bonds	Other cooperatives	Other sources
		<i>Number</i>					
Farm supply .....	14	13	4	7	6	3	6
Marketing .....	60	53	22	35	11	6	21
Marketing/supply .....	26	25	13	21	7	5	16
Total .....	100	91	39	63	24	14	43

The 10 largest cooperatives obtained less than 47 percent of their total borrowed capital outstanding at the close of fiscal year 1976 from banks for cooperatives. The next largest 90 obtained 66 percent from the cooperative banks, and all 5,695 cooperatives (5,795 minus the 100 largest) obtained over 73 percent from this source (table 121).

Some of the 100 largest cooperatives had credit needs over or near the maximum credit limit of the banks for cooperatives in 1976. This limit is roughly 50 percent of the combined net worth of all the banks for cooperatives and was likely a major factor with at least a few of the largest cooperatives when they were looking for additional sources of borrowed capital and also when planning their future capital needs.

The largest 10 cooperatives accounted for most of the borrowed funds from insurance companies, capitalized leases, and industrial revenue bonds. Debt securities also accounted for a larger percentage of total borrowed capital of the largest 10 than for the next largest 90 or the other 5,695 cooperatives. Over 80 percent of the debt securities of all 5,795 cooperatives outstanding in 1976 were issued by the 100 largest cooperatives.

Outstanding debt securities have been sold outright by a few cooperatives to members, patrons, and outsiders. However, some debt paper outstanding in 1976 was patronage related—issued as patronage refund or per unit retain paper to patrons only. Some of

Table 123—Sources of borrowed capital for the largest marketing and marketing/supply cooperatives, by principal products marketed, based on amounts outstanding at the close of fiscal years 1976, 1970 and 1962<sup>1</sup>

Principal product marketed and year	Cooperatives	Total borrowed capital	Percentage of total borrowed capital obtained from—					
			Banks for cooperatives	Commercial banks	Issuance of debt securities	Leases and industrial revenue bonds	Other cooperatives	Other sources
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>					
Diversified:								
1976	11	1,290	43.2	5.7	40.6	3.5	0.4	6.6
1970	14	655	54.5	7.2	35.9	<sup>2</sup>	<sup>2</sup>	2.4
1962	14	238	40.2	7.8	44.1	<sup>2</sup>	<sup>2</sup>	7.9
Cotton and cotton products:								
1976	5	157	57.6	34.1	5.1	0	<sup>3</sup>	3.2
1970	6	24	84.5	<sup>3</sup>	<sup>3</sup>	<sup>2</sup>	<sup>2</sup>	15.5
1962	6	25	66.2	24.8	3.8	<sup>2</sup>	<sup>2</sup>	5.2
Dairy products:								
1976	22	300	63.8	9.4	20.7	1.3	.2	4.6
1970	19	162	49.9	9.2	33.0	<sup>2</sup>	<sup>2</sup>	7.9
1962	19	72	37.4	6.5	51.0	<sup>2</sup>	<sup>2</sup>	5.1
Fruits and vegetables:								
1976	15	557	70.7	14.1	13.0	.5	.4	1.3
1970	18	319	67.7	16.4	13.0	<sup>2</sup>	<sup>2</sup>	2.9
1962	16	115	36.9	9.0	46.5	<sup>2</sup>	<sup>2</sup>	7.6
Grain, soybeans, and products:								
1976	21	769	64.8	4.1	25.4	3.0	2.3	.4
1970	14	218	78.9	3.1	16.3	<sup>2</sup>	<sup>2</sup>	1.7
1962	14	117	87.0	.6	10.7	<sup>2</sup>	<sup>2</sup>	1.7
Poultry products:								
1976	3	19	51.7	48.0	.1	0	0	.2
1970	3	16	51.3	48.0	<sup>3</sup>	<sup>2</sup>	<sup>2</sup>	.7
1962	3	6	68.7	14.7	<sup>3</sup>	<sup>2</sup>	<sup>2</sup>	16.6
Rice:								
1976	4	62	84.6	14.8	.6	0	0	0
1970	4	23	85.1	10.5	<sup>3</sup>	<sup>2</sup>	<sup>2</sup>	4.4
1962	4	7	71.1	28.2	.7	<sup>2</sup>	<sup>2</sup>	0
Other products:								
1976	5	162	76.4	16.5	6.0	.6	0	.5
1970	6	20	68.5	15.8	9.7	<sup>2</sup>	<sup>2</sup>	6.0
1962	6	25	36.7	48.3	10.3	<sup>2</sup>	<sup>2</sup>	4.7
Total								
1976	86	3,316	57.8	9.4	26.3	2.3	.7	3.5
1970	84	1,437	61.8	9.3	25.6	<sup>2</sup>	<sup>2</sup>	3.3
1962	82	605	49.8	9.2	34.9	<sup>2</sup>	<sup>2</sup>	6.1

<sup>1</sup> Included are the marketing and marketing/supply cooperatives of the 100 largest cooperatives for each year.

<sup>2</sup> For 1970 and 1962 the loans from "other cooperatives" and "leases" were not reported separately but were included in "other sources." A combination of the "other cooperatives," "leases" and "other sources" for 1976 will give a comparable total to the 1970 and 1962 "other sources" total.

<sup>3</sup> Less than 0.05 percent.

this patronage-related debt paper was being handled on a revolving basis, by action of the board or bylaw requirements, and was equivalent to equity capital except that it carried a maturity date. Some was issued to members only, as finance fund certificates, building bonds, debenture bonds, or certificates of indebtedness. Other debt paper was in the form of short-term or demand notes, generally sold to members only, with interest rates close to those charged the cooperatives by banks for borrowed funds.

Use of debt securities provides funds that are usually junior in security to bank loans. So, issuing this type of debt paper can make continued borrowing from banks easier for some cooperatives. Issues of debt securities by the cooperatives were sometimes for longer time periods than bank loans, allowing the cooperatives to schedule a range of maturities for their long-term debt.

The share of cooperative credit supplied by commercial banks, about 10 percent, has not changed a great deal over the years, and does not vary significantly between large and small cooperatives.

The amount of borrowed capital used by some of the largest cooperatives has become large enough that the cooperatives and their creditors probably prefer the use of several sources of credit. The greater use of debt securities, leases, industrial development bonds, and insurance companies as additional sources of capital shows the broader range of sources available to large cooperatives. The use of sources other than the banks for cooperatives will probably increase as long as cooperatives continue to rapidly increase their use of borrowed capital.

Those among the entire group of 5,795 cooperatives with borrowed capital outstanding at the close of fiscal year 1976 used an average of 1.7 credit sources. An average of 2.7 credit sources was used by each of the 100 largest cooperatives—another indication of the broader use of credit sources by the large cooperatives.

Table 120 shows sources of borrowed capital for the 100 largest cooperatives based on amounts outstanding at the close of fiscal years 1976, 1970 and 1962, by major function of the cooperatives. Table 122 shows, by major function, the number of cooperatives using each source of credit in 1976.

The farm supply cooperatives acquired a higher percentage of their borrowings through leases and industrial revenue bonds. The combination marketing and supply

Table 124—Number of the 86 largest farmer marketing and marketing/supply cooperatives, by principal products marketed, with any borrowed capital from specified sources outstanding at the close of fiscal year 1976

Principal product marketed	Total number of cooperatives	Cooperatives with any borrowed capital from—					
		Banks for cooperatives	Commercial banks	Issuance of debt securities	Leases and industrial revenue bonds	Other cooperatives	Other sources
-----Number-----							
Diversified . . . . .	11	11	7	11	4	1	7
Cotton and cotton products . . . .	5	5	2	2	0	1	2
Dairy products . . . . .	22	17	9	13	5	2	15
Fruits and vegetables . . . . .	15	14	5	10	3	3	5
Grain, soybeans and products . . .	21	21	4	16	5	4	6
Poultry products . . . . .	3	3	2	1	0	0	1
Rice . . . . .	4	4	3	1	0	0	0
Other products . . . . .	5	3	3	2	1	0	1
Total . . . . .	86	78	35	56	18	11	37

Table 125—Sources of borrowed capital for the 100 largest farmer marketing and supply cooperatives, by farm credit districts, based on amounts outstanding at the close of fiscal years 1976, 1970 and 1962

Farm credit district and year	Coopera- tives with borrowed capital	Total borrowed capital	Percentage of total borrowed capital obtained from--					
			Banks for coopera- tives	Com- mercial banks	Issuance of debt securities	Leases and industrial revenue bonds	Other coopera- tives	Other sources
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>					
Springfield:								
1976 .....	5	339	32.1	5.0	57.0	2.9	1.5	1.5
1970 .....	8	243	36.2	9.8	51.3	1	1	2.7
1962 .....	6	93	16.8	9.1	68.3	1	1	5.8
Baltimore:								
1976 .....	5	86	56.6	2	27.5	10.9	4.3	.7
1970 .....	7	69	75.1	3.3	19.1	1	1	2.5
1962 .....	6	32	64.4	2.7	22.4	1	1	10.5
Columbia:								
1976 .....	9	302	77.7	1.9	14.4	4.6	.1	1.3
1970 .....	9	126	84.4	4.8	9.2	1	1	1.6
1962 .....	8	49	64.5	22.9	10.0	1	1	2.6
Louisville:								
1976 .....	9	236	50.4	11.3	27.0	1.0	6.0	4.3
1970 .....	9	146	60.8	9.4	26.3	1	1	3.5
1962 .....	9	49	52.3	2.2	37.9	1	1	7.6
New Orleans:								
1976 .....	3	199	84.4	2.2	5.5	5.7	0	2.2
1970 .....	4	78	75.9	.1	16.4	1	1	7.6
1962 .....	4	15	94.2	1.3	4.0	1	1	.5
St. Louis:								
1976 .....	13	1,324	38.0	9.6	33.2	8.0	.4	10.8
1970 .....	11	342	51.8	13.6	31.5	1	1	3.1
1962 .....	11	152	51.9	2	43.0	1	1	5.1
St. Paul:								
1976 .....	13	516	76.1	6.5	7.3	7.5	1.7	.9
1970 .....	11	144	62.9	4.2	26.7	1	1	6.2
1962 .....	11	93	63.0	1.5	22.5	1	1	13.0
Omaha and Wichita:								
1976 .....	6	218	71.0	3.1	23.4	2.3	0	.2
1970 .....	5	88	88.8	2	7.2	1	1	4.0
1962 .....	4	22	83.3	.7	11.0	1	1	5.0
Houston:								
1976 .....	7	140	80.3	1.9	11.2	.1	2	6.5
1970 .....	6	79	82.2	2	7.5	1	1	10.3
1962 .....	6	27	66.8	8.0	16.4	1	1	8.8
Sacramento:								
1976 .....	23	662	65.1	27.9	4.6	.4	.3	1.7
1970 .....	20	262	69.5	24.9	1.2	1	1	4.4
1962 .....	19	110	44.8	26.9	18.4	1	1	9.9
Spokane:								
1976 .....	7	114	69.3	4.2	24.5	0	0	2.0
1970 .....	6	106	54.3	14.8	30.0	1	1	.9
1962 .....	6	35	30.0	5.0	64.1	1	1	.9
Total								
1976 .....	100	4,136	56.9	10.0	22.7	4.8	.9	4.7
1970 .....	96	1,683	62.0	10.7	23.4	1	1	3.9
1962 .....	90	677	50.5	8.4	34.0	1	1	7.1

<sup>1</sup> For 1970 and 1962 loans from "other cooperatives" and leases were not reported separately but were included in "other sources."

<sup>2</sup> Less than 0.05 percent.

**Table 126—Number of the 100 largest farmer marketing and supply cooperatives, by farm credit districts, with any borrowed capital from specified sources outstanding at the close of fiscal year 1976**

Farm credit districts	Total number of cooperatives	Cooperatives with any borrowed capital from—					
		Banks for coopera- tives	Com- mercial banks	Issuance of debt securities	Leases and industrial revenue bonds	Other coopera- tives	Other sources
----- <i>Number</i> -----							
Springfield . . . . .	5	5	2	4	1	1	3
Baltimore . . . . .	5	3	1	5	2	1	2
Columbia . . . . .	9	9	1	4	2	2	4
Louisville . . . . .	9	9	3	5	2	3	4
New Orleans . . . . .	3	3	2	2	1	0	2
St. Louis . . . . .	13	13	4	10	3	2	5
St. Paul . . . . .	13	11	6	9	8	2	8
Omaha and Wichita . . . . .	6	6	2	3	2	0	1
Houston . . . . .	7	7	2	5	1	1	3
Sacramento . . . . .	23	18	14	11	2	2	7
Spokane . . . . .	7	7	2	5	0	0	4
U.S. Total . . . . .	100	91	39	63	24	14	43

group acquired a higher percentage through issuance of debt securities than the other two functional groups. However, large borrowings from specific sources by a few very large borrowers contributed very significantly to the borrowing patterns.

Tables 123 and 124 provide data on sources of borrowed capital for the large marketing and marketing/farm supply cooperatives by principal product marketed, and tables 125 and 126 provide data for all 100 marketing and supply cooperatives by farm credit districts. The cooperatives making up the 100 largest group were not the same for the 3 survey years (1976, 1970, and 1962), and each commodity and district classification contained only a limited number of the 100 largest cooperatives. Therefore, borrowing patterns for these small groups may not be representative of all large cooperatives, and should be used in conjunction with the figures presented in section I of this report for all 5,795 cooperatives.

## Net Savings And Losses

Combined net savings and losses of the 100 largest farmer marketing and supply cooperatives for their 1976 fiscal years amounted to almost \$893 million. This figure represents 48 percent of combined net savings and losses for all 5,795 cooperatives for the year. These are all gross figures; intercooperative distributions have not been eliminated. See the chapter on net savings and losses in section I of this report for an overall estimate of intercooperative distribution of patronage refunds and for a general discussion on actual savings provided members and patrons by farmer cooperatives.

If \$87.5 million in qualified per unit capital retains allocated to patrons of the 100 largest cooperatives, but fixed without reference to net savings, is added to the \$893 million net savings figure, the 100 cooperatives had \$980 million for distribution to members and patrons, based on the fiscal year's business. These figures do not include patronage refunds or per unit retains refunded to patrons during the year as payments from revolving funds allocated in previous years.

Tables 127, 128, and 129 show how the 100 largest cooperatives distributed their 1976 net operating results. In table 127 the cooperatives were classified by major function, in table 128 by principal product marketed, and in table 129 by geographic location based on farm credit districts. Some columns in these tables show negative balances because 7 of the 100 cooperatives reported net losses for the year. The losses amounted to \$17 million. This \$17 million loss was subtracted from net savings of \$910 million reported by the 93 cooperatives with savings to arrive at the \$893 million net figure. Thus, the \$893 million of net savings and losses for 1976 reflects operating losses incurred as well as savings realized by the 100 cooperatives.

Tables 127, 128, and 129 also show amounts and distribution of net operating results of the large cooperatives for their 1970 and 1962 fiscal years, for comparison

Table 127—Distribution of net operating results by the 100 largest farmer marketing and supply cooperatives, by major function and income tax status, fiscal years 1976, 1970 and 1962<sup>1</sup>

Major function, year, and income tax status	Coopera- tives	Total net savings and losses	Percentage of total net savings and losses distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>					
Farm supply:								
1976 . . . . .	14	289	42.2	48.3	0.7	3.9	0.7	4.2
Section 521 . . . . .	0	0	0	0	0	0	0	0
Nonsection 521 . . . . .	14	289	42.2	48.3	.7	3.9	.7	4.2
1970 . . . . .	16	75	49.4	32.4	<sup>3</sup>	6.2	2.8	9.2
1962 . . . . .	15	42	28.6	53.5	<sup>3</sup>	6.6	3.9	7.4
Marketing:								
1976 . . . . .	60	227	72.3	19.2	1.2	2.3	3.0	2.0
Section 521 . . . . .	30	139	85.6	8.0	.4	1.8	3.9	.3
Nonsection 521 . . . . .	30	88	51.4	36.8	2.6	2.9	1.6	4.7
1970 . . . . .	62	95	72.2	22.4	<sup>3</sup>	(1.5)	5.8	1.1
1962 . . . . .	61	140	62.6	30.5	<sup>3</sup>	.7	5.1	1.1
Marketing/supply:								
1976 . . . . .	26	377	29.9	42.1	<sup>4</sup>	11.9	4.0	12.1
Section 521 . . . . .	6	71	21.2	59.7	0	3.5	12.0	3.6
Nonsection 521 . . . . .	20	306	32.0	38.1	<sup>4</sup>	13.8	2.1	14.0
1970 . . . . .	22	83	32.1	49.2	<sup>3</sup>	(3.3)	12.1	9.9
1962 . . . . .	21	63	16.1	58.8	<sup>3</sup>	2.3	15.7	7.1
Total:								
1976 . . . . .	100	893	44.7	38.3	.5	6.9	2.6	7.0
Section 521 . . . . .	36	210	63.9	25.4	.2	2.4	6.7	1.4
Nonsection 521 . . . . .	64	683	38.8	42.3	.6	8.2	1.4	8.7
1970 . . . . .	100	253	52.3	34.1	<sup>3</sup>	.2	7.0	6.4
1962 . . . . .	97	245	44.8	41.7	<sup>3</sup>	2.1	7.6	3.8

<sup>1</sup> These are gross figures, intercooperative distributions have not been eliminated. For fiscal year 1976, this table includes combined net savings of \$910 million for 93 cooperatives and net losses of \$17 million for the other 7 cooperatives. For 1970, it includes net savings of \$273 million for 92 cooperatives and net losses of \$20 million for the other 8 cooperatives. For 1962, it includes net losses of 3 cooperatives totaling \$320,400. Per unit retains fixed without reference to net savings are not included. Data on income tax status were not collected for fiscal years 1970 and 1962.

<sup>2</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

<sup>3</sup> Nonqualified allocations were not shown separately for 1970 and 1962, they were included with qualified allocations.

<sup>4</sup> Less than 0.05 percent.

purposes. Of the 100 largest cooperatives in 1970, 92 had net savings of \$273 million and 8 had net losses of \$20 million. Of the 97 cooperatives included in the study for 1962, 94 had net savings of almost \$245 million and 3 had net losses of \$320,000.

Nearly half the net operating results of all 5,795 cooperatives operating in 1976 was reported by the 100 largest cooperatives. Therefore, their distribution pattern did not differ a great deal from that for all cooperatives. Table 130 shows the 1976 net operating results and how they were distributed by the 100 largest cooperatives, compared with the largest 10, the next largest 90, all 5,795, and 5,695 cooperatives (all cooperatives except the 100 largest).

Table 128—Distribution of net operating results by the 86 largest farmer marketing and marketing/supply cooperatives, by principal products marketed and income tax status, fiscal year 1976<sup>1</sup>

Principal product and income tax status	Coopera- tives	Total net savings and losses	Percentage of total net savings and losses distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>					
Diversified . . . . .	11	241	29.0	42.2	<sup>3</sup>	10.5	4.9	13.4
Section 521 . . . . .	4	65	20.8	58.4	0	3.8	13.1	3.9
Nonsection 521 . . . . .	7	176	32.0	36.3	<sup>3</sup>	12.8	1.9	17.0
Cotton and products . . . . .	5	37	114.5	(2.0)	0	(12.6)	0	.1
Section 521 . . . . .	4	43	96.3	3.6	0	<sup>3</sup>	0	.1
Nonsection 521 . . . . .	1	(6)	22.0	(39.7)	0	(82.3)	0	0
Dairy products . . . . .	22	36	21.5	57.5	0	13.5	1.8	5.7
Section 521 . . . . .	11	7	(5.5)	70.3	0	31.6	3.6	0
Nonsection 521 . . . . .	11	29	28.4	54.3	0	8.8	1.4	7.1
Fruits and vegetables . . . . .	15	51	93.0	3.1	1.6	(0.3)	2.3	.3
Section 521 . . . . .	7	24	85.7	5.3	2.1	1.1	5.1	.7
Nonsection 521 . . . . .	8	27	99.3	1.1	1.1	(1.5)	0	<sup>3</sup>
Grain . . . . .	21	163	29.6	44.1	0	13.9	3.1	9.3
Section 521 . . . . .	2	12	75.6	16.5	0	0	6.7	1.2
Nonsection 521 . . . . .	19	151	26.0	46.3	0	15.0	2.7	10.0
Poultry products . . . . .	3	6	19.9	79.3	0	.3	.4	.1
Section 521 . . . . .	1	5	19.9	79.6	0	0	.5	0
Nonsection 521 . . . . .	2	1	19.5	78.0	0	1.9	0	.6
Rice . . . . .	4	16	84.2	3.0	0	0	12.8	0
Section 521 . . . . .	4	16	84.2	3.0	0	0	12.8	0
Nonsection 521 . . . . .	0	0	0	0	0	0	0	0
Other products . . . . .	5	54	85.5	4.2	3.7	4.0	2.2	.4
Section 521 . . . . .	3	38	93.3	3.5	0	<sup>3</sup>	3.2	0
Nonsection 521 . . . . .	2	16	66.9	6.0	12.5	13.3	0	1.3
Total . . . . .	86	604	45.9	33.5	.5	8.2	3.6	8.3
Section 521 . . . . .	36	210	63.9	25.4	.2	2.4	6.7	1.4
Nonsection 521 . . . . .	50	394	36.3	37.9	.6	11.3	1.9	12.0

<sup>1</sup> These are gross figures, intercooperative distributions have not been eliminated. Per unit capital retains fixed without reference to net savings are not included.

<sup>2</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

<sup>3</sup> Less than 0.05 percent.

Table 129—Distribution of net operating results by the 100 largest farmer marketing and supply cooperatives, by farm credit district and income tax status, fiscal years 1976, 1970 and 1962<sup>1</sup>

Farm credit district, year, and income tax status	Coopera- tives	Total net savings and losses	Percentage of total net savings and losses distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
-----Percent-----								
<i>Number                      Million dollars                      Percent</i>								
Springfield:								
1976 . . . . .	5	52	24.9	(0.3)	0	34.7	7.2	33.5
Section 521 . . . . .	4	10	90.0	(1.5)	0	11.5	0	0
Nonsection 521 . . . . .	1	42	9.0	0	0	43.3	6.0	41.7
1970 . . . . .	8	19	56.7	<sup>4</sup>	<sup>3</sup>	12.5	12.1	18.7
1962 . . . . .	7	42	62.0	24.3	<sup>3</sup>	.8	7.8	5.1
Baltimore:								
1976 . . . . .	5	27	27.2	41.9	0	16.8	5.6	8.5
Section 521 . . . . .	3	7	41.6	84.2	0	(26.1)	.3	0
Nonsection 521 . . . . .	2	20	22.1	27.0	0	32.0	7.5	11.4
1970 . . . . .	7	12	22.0	39.0	<sup>3</sup>	12.9	20.7	5.4
1962 . . . . .	7	6	30.0	32.5	<sup>3</sup>	.8	35.8	.9
Columbia:								
1976 . . . . .	9	97	47.7	33.6	.3	5.4	8.0	5.0
Section 521 . . . . .	2	49	17.5	57.2	0	5.0	15.2	5.1
Nonsection 521 . . . . .	7	48	78.1	9.9	.6	5.7	.7	5.0
1970 . . . . .	10	24	45.4	38.3	<sup>3</sup>	1.4	11.7	3.2
1962 . . . . .	9	17	62.6	31.6	<sup>3</sup>	(0.4)	5.7	.5
Louisville:								
1976 . . . . .	9	73	24.7	41.1	0	18.1	2.6	13.5
Section 521 . . . . .	2	8	19.9	32.4	0	47.7	0	0
Nonsection 521 . . . . .	7	65	25.4	42.1	0	14.7	2.8	15.0
1970 . . . . .	9	10	22.3	63.5	<sup>3</sup>	(11.2)	19.4	6.0
1962 . . . . .	9	7	3.2	62.3	<sup>3</sup>	3.9	25.4	5.2
New Orleans:								
1976 . . . . .	3	59	69.6	23.2	0	3.4	1.6	2.2
Section 521 . . . . .	2	16	31.1	62.1	0	0	6.1	.7
Nonsection 521 . . . . .	1	43	83.4	9.3	0	4.5	0	2.8
1970 . . . . .	4	11	71.5	24.1	<sup>3</sup>	(4.7)	6.5	2.6
1962 . . . . .	4	10	35.4	47.6	<sup>3</sup>	4.1	9.0	3.9
St. Louis:								
1976 . . . . .	13	298	40.5	48.8	0	2.8	1.2	6.7
Section 521 . . . . .	2	21	91.2	2.2	0	0	6.6	0
Nonsection 521 . . . . .	11	277	36.8	52.3	0	3.0	.7	7.2
1970 . . . . .	11	59	49.9	21.5	<sup>3</sup>	11.9	6.1	10.6
1962 . . . . .	11	33	28.5	51.4	<sup>3</sup>	3.2	7.9	9.0
St. Paul:								
1976 . . . . .	13	95	21.3	68.5	2.1	4.6	.5	3.0
Section 521 . . . . .	5	6	21.1	63.0	0	8.9	4.6	2.4
Nonsection 521 . . . . .	8	89	21.4	68.9	2.2	4.3	.2	3.0
1970 . . . . .	12	46	21.3	68.1	<sup>3</sup>	5.7	1.1	3.8
1962 . . . . .	12	27	10.9	81.4	<sup>3</sup>	2.6	2.9	2.2

(Continued)

Table 129—Distribution of net operating results by the 100 largest farmer marketing and supply cooperatives, by farm credit district and income tax status, fiscal years 1976, 1970 and 1962—Continued

Farm credit district, year, and income tax status	Coopera- tives	Total net savings and losses	Percentage of total net savings and losses distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>					
Omaha and Wichita:								
1976 . . . . .	6	43	27.5	56.9	0	11.1	2.5	2.0
Section 521 . . . . .	0	0	0	0	0	0	0	0
Nonsection 521 . . . . .	6	43	27.5	56.9	0	11.1	2.5	2.0
1970 . . . . .	5	17	23.0	55.8	<sup>3</sup>	12.4	.3	8.5
1962 . . . . .	5	18	29.3	51.6	<sup>3</sup>	5.5	6.5	7.1
Houston:								
1976 . . . . .	7	10	76.2	55.9	0	(39.6)	0	7.5
Section 521 . . . . .	3	5	72.6	27.4	0	0	0	0
Nonsection 521 . . . . .	4	5	80.6	90.4	0	(87.8)	0	16.8
1970 . . . . .	6	8	50.9	57.3	<sup>3</sup>	(9.9)	1.6	.1
1962 . . . . .	6	9	24.9	66.6	<sup>3</sup>	1.0	6.6	.9
Sacramento:								
1976 . . . . .	23	121	89.8	6.1	2.1	(1.1)	2.2	.9
Section 521 . . . . .	12	88	93.9	2.1	.5	.3	3.0	.2
Nonsection 521 . . . . .	11	33	79.2	17.1	6.0	(5.1)	0	2.8
1970 . . . . .	22	52	91.9	6.4	<sup>3</sup>	(5.5)	5.7	1.5
1962 . . . . .	21	67	69.9	22.1	<sup>3</sup>	1.9	4.4	1.7
Spokane:								
1976 . . . . .	7	18	23.4	37.2	0	34.1	.3	5.0
Section 521 . . . . .	1	<sup>5</sup>	96.4	0	0	0	2.0	1.6
Nonsection 521 . . . . .	6	18	23.2	37.3	0	34.2	.3	5.0
1970 . . . . .	6	(5)	52.8	35.5	<sup>3</sup>	(192.2)	3.1	.8
1962 . . . . .	6	9	9.5	72.6	<sup>3</sup>	.6	16.3	1.0
Total:								
1976 . . . . .	100	893	44.7	38.3	.5	6.9	2.6	7.0
Section 521 . . . . .	36	210	63.9	25.4	.2	2.4	6.7	1.4
Nonsection 521 . . . . .	64	683	38.8	42.3	.6	8.2	1.4	8.7
1970 . . . . .	100	253	52.3	34.1	<sup>3</sup>	.2	7.0	6.4
1962 . . . . .	97	245	44.8	41.7	<sup>3</sup>	2.1	7.6	3.8

<sup>1</sup> These are gross figures, intercooperative distributions have not been eliminated. For fiscal year 1976, this table includes combined net savings of \$910 million for 93 cooperatives and net losses of \$17 million for the other 7 cooperatives. For 1970, it includes net savings of \$273 million for 92 cooperatives and net losses of \$20 million for the other 8 cooperatives. For 1962, it includes net losses of 3 cooperatives totaling \$320,400. Per unit retains fixed without reference to net savings are not included. Data on income tax status were not collected for fiscal years 1970 and 1962.

<sup>2</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

<sup>3</sup> Nonqualified allocations were not shown separately for 1970 and 1962, they were included with qualified allocations.

<sup>4</sup> Less than 0.05 percent.

<sup>5</sup> Less than \$500,000.

Table 130—Distribution of net operating results by farmer marketing and supply cooperatives, by asset size of the cooperatives, fiscal year 1976<sup>1</sup>

Cooperatives by size of assets and number	Total net savings and losses	Percentage of total net savings and losses distributed as—					
		Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
		Paid in cash	Allocated				
			Qualified	Nonqualified			
	1,000 dollars	----- Percent -----					
Largest 10 . . . . .	415,184	31.1	47.5	0.5	8.2	2.5	10.2
Next largest 90 . . . . .	477,664	56.5	30.2	.6	5.7	2.8	4.2
Largest 100 . . . . .	892,848	44.7	38.3	.5	6.9	2.6	7.0
All 5,795 . . . . .	1,843,961	39.9	44.4	.5	7.1	2.2	5.9
5,795 minus 100 largest . . . . .	951,113	35.4	50.1	.5	7.3	1.8	4.9

<sup>1</sup> These are gross figures, intercooperative distributions have not been eliminated. Per unit capital retains fixed without reference to net savings are not included. Includes net losses as well as net savings.

<sup>2</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

The 100 largest cooperatives, with combined net savings and losses of \$893 million, distributed over 83 percent as patronage refunds on the current year's business—almost 45 percent in cash and over 38 percent as allocated equity capital. They used less than 3 percent to pay dividends on equity capital, 7 percent to pay Federal and State income taxes, and retained the remaining 7 percent as unallocated reserves.

The largest 10 cooperatives accounted for over 22 percent of total net savings and losses of all 5,795 cooperatives. These 10 cooperatives distributed 31 percent of their total net savings and losses of \$415 million as cash patronage refunds on the current year's business, 48 percent as allocated patronage refunds, and 2.5 percent as dividends on equity capital. They kept 8 percent as unallocated reserves and used the remaining 10 percent to pay Federal and State income taxes.

The next largest 90 cooperatives distributed over 56 percent as cash patronage refunds on the current year's business, almost 31 percent as allocated patronage refunds, and nearly 3 percent as dividends on equity capital. They kept almost 6 percent as unallocated reserves and used the other 4 percent to pay income taxes.

Tables 127, 128, and 129 also show distribution of net operating results of the 100 largest cooperatives for fiscal year 1976 by Federal income tax status of the cooperatives.

The 36 cooperatives operating under section 521 of the Internal Revenue Code had combined net savings and losses of \$210 million. They distributed 64 percent of this as cash patronage refunds and an additional 26 percent as allocated patronage refunds. Nearly 7 percent was used to pay dividends on equity capital and 1.4 percent for income taxes, leaving only 2.4 percent of net operating results for additions to unallocated reserve accounts of the 36 section 521 cooperatives.

The 64 large cooperatives without section 521 Federal income tax status had combined 1976 net operating results of \$683 million. Almost 39 percent of this was distributed to patrons as cash patronage refunds and 43 percent as allocated patronage refunds. These 64 cooperatives paid Federal and State income taxes amounting to almost 9 percent of their net operating results. They paid dividends on equity capital of only 1.4 percent of their net savings and losses and kept over 8 percent as unallocated reserves.

## Distribution of Net Savings

Ninety-three of the 100 largest farmer marketing and supply cooperatives had net savings for fiscal year 1976. How these savings were distributed is shown in figure 12 and in tables 131 through 134. The seven cooperatives with net losses for fiscal year 1976 were excluded in tabulating these figures. Per unit capital retains, fixed without reference to net savings by 33 of the 93 cooperatives with net savings for the year, were also excluded.

Combined net savings for the 93 cooperatives for their fiscal years ending in 1976 amounted to \$910 million. About 83 percent of this was distributed to patrons as patronage refunds on the current year's business—over 44 percent in cash and almost 39 percent as allocated equity capital. Less than 3 percent was used to pay dividends on equity capital and almost 7 percent was used to pay Federal and State income taxes. The remaining 8 percent was retained by the 93 cooperatives as unallocated reserves.

**Table 131—Distribution of net savings by the 100 largest farmer marketing and supply cooperatives with savings, by major function and income tax status, fiscal years 1976, 1970, and 1962<sup>1</sup>**

Major function, year, and income tax status	Coopera- tives with savings	Total net savings	Percentage of total net savings distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>					
Farm supply:								
1976 .....	14	289	42.2	48.3	0.7	3.9	0.7	4.2
Section 521 .....	0	0	0	0	0	0	0	0
Nonsection 521 .....	14	289	42.2	48.3	.7	3.9	.7	4.2
1970 .....	15	77	48.4	31.7	<sup>3</sup>	8.2	2.7	9.0
1962 .....	14	42	28.6	53.5	<sup>3</sup>	6.6	3.9	7.4
Marketing:								
1976 .....	53	244	68.9	19.5	1.2	5.4	2.8	2.2
Section 521 .....	26	148	84.0	8.7	.3	3.0	3.7	.3
Nonsection 521 .....	27	96	46.0	35.9	2.4	9.2	1.4	5.1
1970 .....	57	105	69.1	20.0	<sup>3</sup>	4.7	5.1	1.1
1962 .....	59	140	62.6	30.5	<sup>3</sup>	.7	5.1	1.1
Marketing/supply:								
1976 .....	26	377	29.9	42.1	<sup>4</sup>	11.9	4.0	12.1
Section 521 .....	6	70	21.2	59.7	0	3.5	12.0	3.6
Nonsection 521 .....	20	307	32.0	38.1	<sup>4</sup>	13.8	2.1	14.0
1970 .....	20	91	26.8	44.8	<sup>3</sup>	8.5	10.9	9.0
1962 .....	21	63	16.1	58.8	<sup>3</sup>	2.3	15.7	7.1
Total:								
1976 .....	93	910	44.4	38.0	.5	7.6	2.6	6.9
Section 521 .....	32	218	63.8	25.2	.2	3.1	6.4	1.3
Nonsection 521 .....	61	692	38.2	42.1	.6	9.0	1.4	8.7
1970 .....	92	273	49.2	31.6	<sup>3</sup>	6.9	6.4	5.9
1962 .....	94	245	44.8	41.7	<sup>3</sup>	2.1	7.6	3.8

<sup>1</sup> Of the 100 largest cooperatives, 7 had net losses for 1976, 8 for 1970, and of the 97 operating in 1962, 3 had net losses. Only the cooperatives with savings are included in this table. These are gross figures; intercooperative distributions have not been eliminated. Data on income tax status were not collected for fiscal years 1970 and 1962.

<sup>2</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

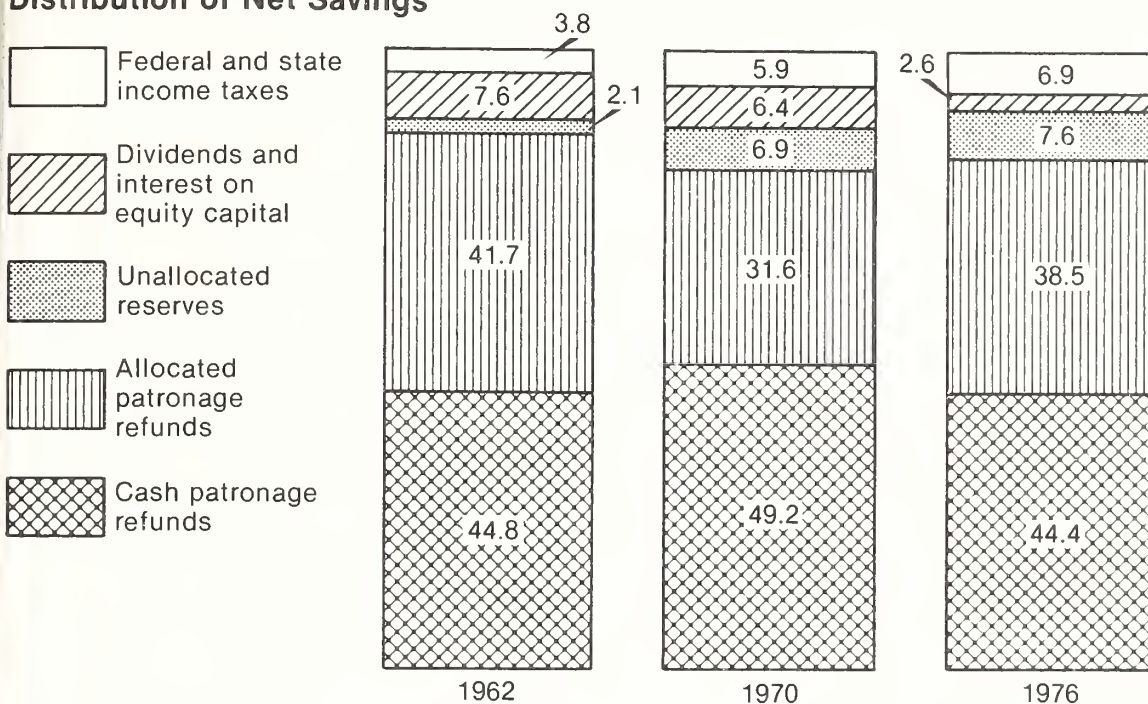
<sup>3</sup> Nonqualified allocations were not shown separately for 1970 and 1962, they were included with qualified allocations.

<sup>4</sup> Less than 0.05 percent.

Figure 12

## 100 Largest Farmer Marketing and Supply Cooperatives

## Distribution of Net Savings



Figures in bars are percent of total net savings at close of fiscal years.

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Table 132—Distribution of net savings by the 86 largest farmer marketing and marketing/supply cooperatives, by principal product marketed and income tax status, fiscal years 1976, 1970, and 1962<sup>1</sup>

Principal product marketed, year, and income tax status	Coopera- tives with savings	Total net savings	Percentage of total net savings distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>					
Diversified:								
1976 .....	11	241	29.0	42.2	<sup>4</sup>	10.5	4.9	13.4
Section 521 .....	4	64	20.8	58.4	0	3.8	13.1	3.9
Nonsection 521 .....	7	177	32.0	36.3	<sup>4</sup>	12.9	1.9	16.9
1970 .....	12	70	23.1	44.8	<sup>3</sup>	9.0	12.7	10.4
1962 .....	14	52	18.7	54.8	<sup>3</sup>	2.0	16.5	8.0
Cotton and products:								
1976 .....	4	43	96.3	3.5	0	<sup>4</sup>	0	.2
Section 521 .....	4	43	96.3	3.5	0	<sup>4</sup>	0	.2
Nonsection 521 .....	0	0	0	0	0	0	0	0
1970 .....	6	13	75.3	23.8	<sup>3</sup>	<sup>4</sup>	.9	<sup>4</sup>
1962 .....	6	10	55.9	42.1	<sup>3</sup>	(.1)	2.1	<sup>4</sup>

(Continued)

Table 132—Distribution of net savings by the 86 largest farmer marketing and marketing/supply cooperatives, by principal product marketed and income tax status, fiscal years 1976, 1970, and 1962—*Continued*

Principal product marketed, year, and income tax status	Coopera- tives with savings	Total net savings	Percentage of total net savings distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
	<i>Number</i>	<i>Million dollars</i>	<i>Percent</i>					
Dairy products:								
1976 . . . . .	18	44	28.9	50.1	0	15.0	1.4	4.6
Section 521 . . . . .	7	16	29.8	42.6	0	26.0	1.6	0
Nonsection 521 . . . . .	11	28	28.4	54.3	0	8.9	1.3	7.1
1970 . . . . .	17	21	36.5	42.1	<sup>3</sup>	13.9	5.3	2.2
1962 . . . . .	18	33	42.5	47.5	<sup>3</sup>	1.4	7.4	1.2
Fruits and vegetables:								
1976 . . . . .	13	54	89.1	3.0	1.5	2.6	2.2	1.6
Section 521 . . . . .	7	24	85.7	5.4	2.1	1.2	5.0	.6
Nonsection 521 . . . . .	6	30	91.7	1.0	1.1	3.8	0	2.4
1970 . . . . .	16	32	89.6	1.5	<sup>3</sup>	2.2	5.3	1.4
1962 . . . . .	16	57	78.9	19.0	<sup>3</sup>	(.2)	2.2	.1
Grain:								
1976 . . . . .	21	163	29.6	44.1	0	13.9	3.1	9.3
Section 521 . . . . .	2	12	75.6	16.5	0	0	6.7	1.2
Nonsection 521 . . . . .	19	151	26.0	46.3	0	15.0	2.7	10.0
1970 . . . . .	13	28	30.9	50.8	<sup>3</sup>	9.6	4.8	3.9
1962 . . . . .	13	24	32.5	47.2	<sup>3</sup>	4.7	9.5	6.1
Poultry products:								
1976 . . . . .	3	6	19.8	79.4	0	.3	.4	.1
Section 521 . . . . .	1	5	19.9	79.6	0	0	.5	0
Nonsection 521 . . . . .	2	1	19.5	78.1	0	1.9	0	.5
1970 . . . . .	3	2	20.3	78.4	<sup>3</sup>	<sup>4</sup>	1.3	<sup>4</sup>
1962 . . . . .	3	5	.8	87.6	<sup>3</sup>	<sup>4</sup>	11.6	<sup>4</sup>
Rice:								
1976 . . . . .	4	16	84.2	3.0	0	0	12.8	0
Section 521 . . . . .	4	16	84.2	3.0	0	0	12.8	0
Nonsection 521 . . . . .	0	0	0	0	0	0	0	0
1970 . . . . .	4	19	90.7	4.1	<sup>3</sup>	<sup>4</sup>	5.1	.1
1962 . . . . .	4	3	27.4	55.1	<sup>3</sup>	<sup>4</sup>	17.5	<sup>4</sup>
Other products:								
1976 . . . . .	5	54	85.5	4.2	3.7	4.0	2.2	.4
Section 521 . . . . .	3	38	93.3	3.5	0	<sup>4</sup>	3.2	<sup>4</sup>
Nonsection 521 . . . . .	2	16	66.9	6.1	12.4	13.3	0	1.3
1970 . . . . .	6	12	72.7	16.6	<sup>3</sup>	.5	10.1	.1
1962 . . . . .	6	19	75.5	18.1	<sup>3</sup>	<sup>4</sup>	6.4	<sup>4</sup>
Total:								
1976 . . . . .	79	621	45.3	33.2	.5	9.3	3.5	8.2
Section 521 . . . . .	32	218	63.8	25.1	.2	3.2	6.4	1.3
Nonsection 521 . . . . .	47	403	35.3	37.6	.6	12.7	1.9	11.9
1970 . . . . .	77	197	49.5	31.5	<sup>3</sup>	6.5	7.8	4.7
1962 . . . . .	80	203	48.2	39.3	<sup>3</sup>	1.2	8.3	3.0

<sup>1</sup> Of the 86 cooperatives, 7 had net losses for 1976; only the cooperatives with savings are included in this table. These are gross figures; intercooperative distributions have not been eliminated. Data on income tax status were not collected for fiscal years 1970 and 1962.

<sup>2</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

<sup>3</sup> Nonqualified allocations were not shown separately for 1970 and 1962, they were included with qualified allocations.

<sup>4</sup> Less than 0.05 percent.

Table 133—Distribution of net savings by the 100 largest farmer marketing and supply cooperatives with savings, by farm credit district and income tax status, fiscal years 1976, 1970 and 1962<sup>1</sup>

Farm credit district, year, and income tax status	Coopera- tives	Total net savings	Percentage of total net savings distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
	<i>Number</i>	<i>Million dollars</i>	<i>----- Percent -----</i>					
Springfield:								
1976 .....	3	59	30.8	2.2	0	30.8	6.4	29.8
Section 521 .....	2	17	85.4	7.5	0	0	7.1	0
Nonsection 521 .....	1	42	9.0	0	0	43.2	6.1	41.7
1970 .....	6	20	53.5	<sup>1</sup>	<sup>3</sup>	17.6	11.1	17.8
1962 .....	6	42	62.2	24.2	<sup>3</sup>	.8	7.7	5.1
Baltimore:								
1976 .....	4	29	25.5	39.2	0	22.1	5.3	7.9
Section 521 .....	2	9	32.9	66.8	0	0	.3	0
Nonsection 521 .....	2	20	22.2	26.9	0	32.0	7.5	11.4
1970 .....	7	12	22.0	39.0	<sup>3</sup>	12.9	20.7	5.4
1962 .....	7	6	30.0	32.5	<sup>3</sup>	.8	35.8	.9
Columbia:								
1976 .....	9	97	47.7	33.6	.3	5.4	8.0	5.0
Section 521 .....	2	49	17.5	57.2	0	5.1	15.3	4.9
Nonsection 521 .....	7	48	78.0	9.8	.7	5.7	.8	5.0
1970 .....	9	24	44.6	37.6	<sup>3</sup>	3.1	11.5	3.2
1962 .....	9	17	62.6	31.6	<sup>3</sup>	(.4)	5.7	.5
Louisville:								
1976 .....	8	73	24.7	41.3	0	18.0	2.6	13.4
Section 521 .....	1	8	19.1	34.8	0	46.1	0	0
Nonsection 521 .....	7	65	25.3	42.1	0	14.6	2.9	15.1
1970 .....	8	11	19.1	54.5	<sup>3</sup>	4.5	16.6	5.3
1962 .....	8	7	3.2	62.2	<sup>3</sup>	4.1	25.4	5.1
New Orleans:								
1976 .....	3	59	69.6	23.2	0	3.4	1.6	2.2
Section 521 .....	2	15	31.0	62.1	0	0	6.2	.7
Nonsection 521 .....	1	44	83.3	9.3	0	4.6	0	2.8
1970 .....	4	11	71.5	24.1	<sup>3</sup>	(4.7)	6.5	2.6
1962 .....	4	10	35.4	47.6	<sup>3</sup>	4.1	9.0	3.9
St. Louis:								
1976 .....	13	298	40.5	48.8	0	2.8	1.2	6.7
Section 521 .....	2	21	91.2	2.2	0	0	6.6	0
Nonsection 521 .....	11	277	36.7	52.3	0	3.0	.8	7.2
1970 .....	11	59	49.9	21.5	<sup>3</sup>	11.9	6.1	10.6
1962 .....	10	33	28.5	51.3	<sup>3</sup>	3.3	7.9	9.0
St. Paul:								
1976 .....	13	95	21.3	68.5	2.1	4.6	.5	3.0
Section 521 .....	5	6	21.1	63.0	0	8.9	4.6	2.4
Nonsection 521 .....	8	89	21.3	68.8	2.3	4.3	.2	3.1
1970 .....	11	47	21.3	67.9	<sup>3</sup>	6.1	1.0	3.7
1962 .....	12	27	10.9	81.4	<sup>3</sup>	2.6	2.9	2.2

(Continued)

Table 133—Distribution of net savings by the 100 largest farmer marketing and supply cooperatives with savings, by farm credit district and income tax status, fiscal years 1976, 1970 and 1962—Continued

Farm credit district, year, and income tax status	Coopera- tives	Total net savings	Percentage of total net savings distributed as—					
			Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
			Paid in cash	Allocated				
				Qualified	Nonqualified			
	Number	Million dollars	----- Percent -----					
Omaha and Wichita:								
1976 . . . . .	6	43	27.5	56.9	0	11.1	2.5	2.0
Section 521 . . . . .	0	0	0	0	0	0	0	0
Nonsection 521 . . . . .	6	43	27.5	56.9	0	11.1	2.5	2.0
1970 . . . . .	5	17	23.0	55.8	<sup>3</sup>	12.4	.3	8.5
1962 . . . . .	5	18	29.3	51.6	<sup>3</sup>	5.5	6.5	7.1
Houston:								
1976 . . . . .	6	16	40.7	50.0	0	4.4	0	4.9
Section 521 . . . . .	3	5	72.7	27.3	0	0	0	0
Nonsection 521 . . . . .	3	11	23.6	62.2	0	6.8	0	7.4
1970 . . . . .	5	9	46.5	51.8	<sup>3</sup>	.1	1.5	.1
1962 . . . . .	6	9	24.9	66.6	<sup>3</sup>	1.0	6.6	.9
Sacramento:								
1976 . . . . .	21	123	88.2	6.0	2.0	.2	2.1	1.5
Section 521 . . . . .	12	88	93.8	2.0	.6	.3	3.0	.3
Nonsection 521 . . . . .	9	35	74.2	15.9	5.6	(.3)	0	4.6
1970 . . . . .	21	60	86.5	5.5	<sup>3</sup>	1.8	4.9	1.3
1962 . . . . .	21	67	69.9	22.1	<sup>3</sup>	1.9	4.4	1.7
Spokane:								
1976 . . . . .	7	18	23.4	37.2	0	34.1	.3	5.0
Section 521 . . . . .	1	<sup>5</sup>	96.0	0	0	0	2.0	2.0
Nonsection 521 . . . . .	6	18	23.2	37.3	0	34.2	.3	5.0
1970 . . . . .	5	3	21.5	67.7	<sup>3</sup>	3.3	6.0	1.5
1962 . . . . .	6	9	9.5	72.6	<sup>3</sup>	.6	16.3	1.0
Total:								
1976 . . . . .	93	910	44.4	38.0	.5	7.6	2.6	6.9
Section 521 . . . . .	32	218	63.8	25.2	.2	3.1	6.4	1.3
Nonsection 521 . . . . .	61	692	38.2	42.1	.6	9.0	1.4	8.7
1970 . . . . .	92	273	49.2	31.6	<sup>3</sup>	6.9	6.4	5.9
1962 . . . . .	94	245	44.8	41.7	<sup>3</sup>	2.1	7.6	3.8

<sup>1</sup> These are gross figures, intercooperative distributions have not been eliminated. Only those cooperatives with net savings each year are included. Per unit capital retains fixed without reference to net savings are not included. Data on income tax status were not collected for fiscal years 1970 and 1962.

<sup>2</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

<sup>3</sup> Nonqualified allocations were not shown separately for 1970 and 1962, they were included with qualified allocations.

<sup>4</sup> Less than 0.05 percent.

<sup>5</sup> Less than \$500,000.

Figure 12 and tables 131 through 133 provide a comparison of the total net savings of the largest cooperatives for 1976, 1970, and 1962, and show how the savings were distributed each survey year.

Tables 131 through 133 also provide data on distribution of net savings for 1976 based on Federal income tax status of the cooperatives. The 32 cooperatives operating under section 521 distributed a much higher percentage of their total savings as cash

Table 134—Distribution of net savings by farmer marketing and supply cooperatives, by asset size of the cooperatives, fiscal year 1976<sup>1</sup>

Cooperatives by size of assets and number	Total net savings	Percentage of total net savings distributed as—					
		Patronage refunds on current year's business			Unallocated reserves	Dividends and interest on equity capital	Income taxes <sup>2</sup>
		Paid in cash	Allocated				
			Qualified	Nonqualified			
	<i>1,000 dollars</i>	<i>----- Percent -----</i>					
Largest 10 . . . . .	415,184	31.1	47.5	0.5	8.2	2.5	10.2
Next largest 90 . . . . .	494,670	55.4	30.0	.6	7.2	2.6	4.2
Largest 100 . . . . .	909,854	44.4	38.0	.5	7.6	2.6	6.9
All 5,795 . . . . .	1,897,672	39.3	44.0	.5	8.4	2.1	5.7
5,795 minus 100 largest . . . . .	987,818	34.6	49.5	.5	9.1	1.7	4.6

<sup>1</sup> These are gross figures, intercooperative distributions have not been eliminated. Per unit capital retains fixed without reference to net savings are not included. All cooperatives with net losses for the year were excluded.

<sup>2</sup> Includes Federal and State income taxes; operating statements of many cooperatives do not list them separately.

patronage refunds on the current year's business and as dividends on equity capital. Conversely, the 61 cooperatives not operating under section 521 distributed more as allocated patronage refunds and unallocated reserves, and used a larger percentage to pay Federal and State income taxes.

Table 134 compares the distribution of net savings for fiscal year 1976 by size of the cooperatives, based on total assets. These figures do not vary significantly from those shown in table 130 for distribution of combined net savings and losses.

### Distribution of Net Losses

Table 135 summarizes data on net operating losses for the seven large cooperatives for fiscal year 1976. All seven of the cooperatives were classified as marketing cooperatives. They reported combined net losses of \$17 million. Unallocated reserve accounts of the cooperatives were decreased to cover approximately half these losses. Another 23 percent was charged against members' qualified allocated equity accounts and 24 percent was charged directly to individual members or deducted from marketing proceeds due them. Four percent was recouped as Federal income tax credits.

Table 135—Distribution of net operating losses by 7 of the 100 largest farmer marketing cooperatives with net losses, by income tax status of the cooperatives fiscal year 1976<sup>1</sup>

Principal product marketed and income tax status	Cooperatives with net losses	Total net losses	Total net operating losses distributed as—			
			Patronage refunds on current year's business		Reduction of unallocated reserves	Income taxes <sup>4</sup>
			Cash <sup>2</sup>	Qualified allocations <sup>3</sup>		
	<i>Number</i>		<i>Thousand dollars</i>			
Cotton						
(Nonsection 521) . . . . .	1	-5,758	1,263	-2,280	-4,741	0
Fruits and vegetables						
(Nonsection 521) <sup>5</sup> . . . . .	2	-2,567	-270	0	-1,564	-733
Total Nonsection 521 . . . . .	3	-8,325	993	-2,280	-6,305	-733
Dairy						
(Section 521) <sup>6</sup> . . . . .	4	-8,680	-5,128	-1,698	-1,854	0
Total . . . . .	7	-17,005	-4,135	-3,978	-8,159	-733

<sup>1</sup> All seven cooperatives with losses were primarily marketing cooperatives. One cooperative with overall losses had savings in one or more departments, and the patrons of the departments with net savings received cash patronage refunds even though the cooperative as a total business entity reported a net operating loss. Two cooperatives were located in the Springfield farm credit district, one in the Baltimore district, one in the Louisville district, one in the Houston district, and two in the Sacramento district.

<sup>2</sup> Includes cash payments (+) and charges to members (-). The charges to members were charged to individual members' accounts, deducted from marketing proceeds due members or the members were billed.

<sup>3</sup> These were charges against members' qualified allocated equity accounts.

<sup>4</sup> Includes Federal and State income taxes, and tax refunds or credits.

<sup>5</sup> One of these fruit and vegetable cooperatives made per unit capital retains for the year of \$5.6 million.

<sup>6</sup> These four dairy cooperatives made per unit capital retains amounting to \$5.1 million.

## Per Unit Capital Retains

Per unit capital retains were used by 38 of the 100 largest farmer marketing and supply cooperatives to acquire member capital in 1976. Total per unit retain capital deducted during the year by the 38 cooperatives amounted to almost \$88 million. This compares with a total of \$45 million in per unit retains allocated by the 100 largest cooperatives during fiscal year 1970. The \$88 million for 1976 represents two-thirds of the total per unit retains for 1976 by all 5,795 active marketing and supply cooperatives.

None of the 100 largest cooperatives classified as farm supply made any per unit capital retains during fiscal year 1976, and only three combination marketing and supply cooperatives acquired any capital in this manner (tables 136 and 137).

Table 137 shows that 73 percent of the largest fruit and vegetable cooperatives and 68 percent of those marketing dairy products acquired capital during 1976 as per unit retains. Cooperatives marketing fruits and vegetables and dairy products accounted for over 60 percent of all capital acquired by this method during 1976. All four cooperatives marketing rice and four of the five marketing nuts and sugar products also used the per unit retain method to acquire member capital during the year.

Seventeen of the 23 large cooperatives with headquarters located in the Sacramento farm credit district acquired capital through the per unit retain route during fiscal year 1976. Nearly 46 percent of the \$88 million allocated per unit capital retains acquired during the year was acquired by the 17 cooperatives with headquarters located in the Sacramento district (table 138).

**Table 136—Per unit capital retains deducted from proceeds due patrons by 38 of the 100 largest farmer marketing and supply cooperatives, by major function and income tax status, during fiscal year 1976**

Major function and income tax status	Cooperatives		Amount of per unit capital retains deducted
	Total	Deducting any per unit capital retains	
----- Number -----			1,000 dollars
Farm supply . . . . .	14	0	0
Section 521 . . . . .	0	0	0
Nonsection 521 . . . . .	14	0	0
Marketing . . . . .	60	35	86,609
Section 521 . . . . .	30	22	53,966
Nonsection 521 . . . . .	30	13	32,643
Marketing/supply . . . . .	26	3	920
Section 521 . . . . .	6	1	424
Nonsection 521 . . . . .	20	2	496
Total . . . . .	100	38	87,529
Section 521 . . . . .	36	23	54,390
Nonsection 521 . . . . .	64	15	33,139

**Table 137—Per unit capital retains deducted from proceeds due patrons by 38 of the 86 largest farmer marketing and marketing/supply cooperatives, by principal product marketed and income tax status, during fiscal year 1976**

Principal product marketed and income tax status	Cooperatives		Amount of per unit capital retains deducted
	Total	Deducting any per unit capital retains	
----- Number -----			1,000 dollars
Diversified . . . . .	11	0	0
Section 521 . . . . .	4	0	0
Nonsection 521 . . . . .	7	0	0
Cotton and products . . . . .	5	2	5,081
Section 521 . . . . .	4	2	5,081
Nonsection 521 . . . . .	1	0	0
Fruits and vegetables . . . . .	15	11	23,367
Section 521 . . . . .	7	6	12,548
Nonsection 521 . . . . .	8	5	10,819
Grain and soybeans . . . . .	21	1	2,845
Section 521 . . . . .	2	1	2,845
Nonsection 521 . . . . .	19	0	0
Dairy products . . . . .	22	15	29,672
Section 521 . . . . .	11	8	12,300
Nonsection 521 . . . . .	11	7	17,372
Poultry products . . . . .	3	1	108
Section 521 . . . . .	1	0	0
Nonsection 521 . . . . .	2	1	108
Rice . . . . .	4	4	10,980
Section 521 . . . . .	4	4	10,980
Nonsection 521 . . . . .	0	0	0
Other products . . . . .	5	4	15,476
Section 521 . . . . .	3	2	10,636
Nonsection 521 . . . . .	2	2	4,840
Total . . . . .	86	38	87,529
Section 521 . . . . .	36	23	54,390
Nonsection 521 . . . . .	50	15	33,139

Table 138—Per unit capital retains deducted from proceeds due patrons by 38 of the 100 largest farmer marketing and supply cooperatives, by farm credit district and income tax status, during fiscal year 1976

Farm credit district and income tax status	Cooperatives		Amount of per unit capital retains deducted
	Total	Deducting any per unit capital retains	
	----- Number -----		1,000 dollars
Springfield . . . . .	5	3	5,813
Section 521 . . . . .	4	3	5,813
Nonsection 521 . . . . .	1	0	0
Baltimore . . . . .	5	1	246
Section 521 . . . . .	3	1	246
Nonsection 521 . . . . .	2	0	0
Columbia . . . . .	9	4	4,565
Section 521 . . . . .	2	0	0
Nonsection 521 . . . . .	7	4	4,565
Louisville . . . . .	9	2	6,053
Section 521 . . . . .	2	2	6,053
Nonsection 521 . . . . .	7	0	0
New Orleans . . . . .	3	0	0
Section 521 . . . . .	2	0	0
Nonsection 521 . . . . .	1	0	0
St. Louis . . . . .	13	3	12,043
Section 521 . . . . .	2	2	6,705
Nonsection 521 . . . . .	11	1	5,338
St. Paul . . . . .	13	3	4,642
Section 521 . . . . .	5	2	1,629
Nonsection 521 . . . . .	8	1	3,013
Omaha and Wichita . . . . .	6	0	0
Section 521 . . . . .	0	0	0
Nonsection 521 . . . . .	6	0	0
Houston . . . . .	7	2	12,224
Section 521 . . . . .	3	1	4,775
Nonsection 521 . . . . .	4	1	7,449
Sacramento . . . . .	23	17	40,158
Section 521 . . . . .	12	11	28,242
Nonsection 521 . . . . .	11	6	11,916
Spokane . . . . .	7	3	1,785
Section 521 . . . . .	1	1	927
Nonsection 521 . . . . .	6	2	858
Total . . . . .	100	38	87,529
Section 521 . . . . .	36	23	54,390
Nonsection 521 . . . . .	64	15	33,139

## Appendix A—Methodology

The information included in this report is based on the results of a nationwide survey. Data were obtained for the study from 2,381 cooperatives; the 100 largest and a sample consisting of 2,281 of the other 5,695 active farmer marketing, supply, and related service cooperatives (excluding very small livestock shipping associations and county wool pools) listed with the former Farmer Cooperative Service at the time of the study.

The 100 largest cooperatives were selected from the total group of 5,795 cooperatives based on their 1976 dollar sales volume. However, all cooperatives with total assets of less than \$10 million were excluded from the 100 largest group. Those excluded because of size limitation on assets included sales agencies operating on a commission basis with comparatively small capital requirements and a few cooperatives involved almost exclusively in bargaining activities.

Including the largest 100 cooperatives in the study group was necessary to arrive at meaningful national estimates for all 5,795 cooperatives because they represent over half of total dollars involved.

The other cooperatives included in the study were selected as follows: All marketing and supply cooperatives (total universe except for the 100 largest) were classified by farm credit districts and then subclassified by functional and commodity groups within each district. All cooperatives in each classification group of 50 or less in each district were included in the survey group. This left only two to four classification groups in each of the 12 farm credit districts with enough cooperatives for sampling. Before selecting a representative sample from these classification groups, the cooperatives with exceptionally large business volumes in each group were excluded. These large cooperatives were included in the study, but were handled separately from the sample cooperatives.

Sample cooperatives were then selected. The sample size of each group was determined by the known variation within each group. The data collected were expanded to cover all cooperatives in each sample group. The data from all four survey groups were combined to arrive at national estimates for all 5,795 cooperatives.

The number of completed questionnaires, by each of the four survey groups, was as follows:

Survey group	Number of cooperatives
Largest 100 cooperatives	100
Cooperatives from classification groups consisting of less than 50 cooperatives	773
Exceptionally large cooperatives from sample groups	171
Cooperatives selected at random from sample groups	<u>1,337</u>
Total	2,381

The 2,381 cooperatives providing data for the survey represented 41 percent of all active marketing and supply cooperatives. The survey group consisted of 545 farm supply cooperatives (25 percent of the total population of this type), 1,047 marketing cooperatives (63 percent of the total population of this type), and 789 combination marketing and supply cooperatives (40 percent of the total population of this type).

Farm supply cooperatives (2,164), cooperatives marketing grain (476), and combination grain marketing and supply cooperatives (1,598), accounted for 73 percent of

all 5,795 active cooperatives in 1976. Only 28 percent (1,206) of these 4,238 cooperatives were included in the study, compared with 75 percent of all other cooperatives combined (1,175 of 1,557). The wide diversity in size, function, and operations of other cooperatives accounted for the necessity to use a much larger sample.

The national estimates for all 5,795 cooperatives, including the 100 largest, are provided in the first section of this report. Separate data covering only the 100 largest cooperatives are presented in section II.

## **Appendix B—Definition Of Terms**

Many terms have different meanings to different people. This applies to terms pertaining to capital and financing and those used to classify cooperatives. To ensure a common ground of understanding with readers, the following definitions of terms used in this study are presented.

### **Terms Used to Classify Cooperatives**

*Farmer cooperatives* are business enterprises that are financed, controlled, and operated by the agricultural producers that they serve; do more than half their business with members; and provide for one vote per member *or* for a limit on their dividends on capital stock of 8 percent a year or the legal rate in the State, whichever is higher.

*Farm supply cooperatives* are those farmer cooperatives whose farm production supply business constitutes all or the major portion of their total annual dollar volume. Many farm supply cooperatives also market some farm products and perform related services for their members.

*Marketing cooperatives* are those farmer cooperatives with all or the major portion of their total dollar volume derived from the sale of farm products for patrons. Many also purchase some farm supplies and perform related services for their members. The marketing cooperatives are further classified in this report by principal products marketed.

*Marketing/farm supply cooperatives* are those farmer cooperatives engaged in both marketing and supply activities with each activity accounting for a substantial portion of total dollar volume. These multipurpose cooperatives are further classified in this report by major farm products marketed.

*Bargaining cooperatives* are those farmer cooperatives engaged primarily in bargaining for price of farm products. Many also process and/or market some farm products for their members. Cooperatives engaged in bargaining are not classified separately in this report from those performing other marketing functions, except for identification purposes in table 2.

### **Terms Pertaining to Capital**

*Assets* are items of value owned by cooperative businesses. These items were grouped into current assets, fixed assets, and other assets for this report. The grouping depends primarily on the length of time before assets are likely to be turned into cash or charged as expenses.

*Current assets* are the working assets of a business. They consist of cash and other assets which can be expected to turn into cash in the course of a normal business cycle, generally one year. Current items include cash, notes and accounts receivable, inventories, and short-term and marketable securities.

*Fixed assets* are the tangible capital assets of a business. Included are assets such as land, buildings, equipment, and machinery, which are not easily convertible into cash and are intended for long-term use in operating the business.

Fixed assets are shown at net book value, that is, at cost less allowance for depreciation or obsolescence. The values reported for fixed assets reflect various rates and methods used by cooperatives to compute depreciation. Any attempt to revalue these assets on a comparable basis was beyond the scope of this report.

*Other assets* is a broad classification used to absorb all assets of the cooperatives except those classified as current or fixed. Included are investments in other businesses (including investments in other cooperatives), all deferred charges (prepaid expenses), long-term receivables, and intangible assets.

*Liabilities* are amounts owed by cooperative businesses to their creditors. All claims against cooperatives which are fixed as to amount and maturity date represent a liability or debt capital.

*Current liabilities* represent short-term obligations, normally due within a year of the balance sheet date. Accounts payable, taxes, dividends, patronage refunds, and other accruals, as well as short-term loans and any portion of long-term debt due within the year, were classified as current liabilities.

*Term liabilities* represent long-term obligations of a business. All debt capital which becomes due beyond a year from the date of the balance sheet is included.

*Net worth, or equity capital*, is the excess of the value of assets over liabilities. It represents the investment or ownership interest of members and patrons in their cooperatives. Equity capital has been grouped into the following categories:

- (1) *Common and preferred stock* refers to securities issued as shares of ownership. Stock is usually divided into more than one class, primarily to control voting rights and to vary income and risks of stockholders.

The articles of incorporation of cooperatives usually spell out the various classes of capital stock to be issued and the rights of each class of stockholders. These vary from one cooperative to another, not only according to State cooperative laws governing the issuance of capital stock, but also according to the needs and purposes of each individual cooperative. There is no definite pattern in classifying stock as common or preferred. Class C Common Stock issued by one cooperative may be essentially the same as Class A Preferred Stock issued by another cooperative.

Fractional shares of stock or stock credits were reported on the balance sheets of some cooperatives. Fractional shares were added to shares outstanding for purposes of this report, even though stock certificates are generally not issued until stockholders have paid for them in full.

- (2) *Membership certificates* are generally issued by nonstock or unincorporated cooperatives primarily to voting members as an indication that the required membership fee has been paid. The total amount of equity capital issued as membership certificates is relatively insignificant.
- (3) *Qualified and nonqualified certificates of equity and capital credits* account for all allocated equity capital listed on the balance sheets of the cooperatives other than capital stock and membership voting certificates. These equity certificates and credits carry no fixed maturity date and are subordinate to all debt instruments. They are listed on the balance sheets under numerous names, such as certificates of interest, certificates of ownership, revolving fund certificates,

participation certificates, patronage certificates, and retain certificates. Capital credits may be listed as book credits, allocated reserves, members and/or patrons equity reserves, and the like.

Equity certificates and credits are issued primarily to members and patrons through the process of making per unit capital retains or allocating net savings as noncash patronage refunds. These certificates represent deferred patronage refunds or per unit capital retains payable in cash at some future date. Legally, they represent written notices of allocation which disclose to patrons the stated dollar amounts allocated on the books of the cooperative to each patron. They are often handled on a revolving fund basis; that is, the oldest outstanding certificates are retired first. Some cooperatives pay dividends on these equity certificates; but, in the majority of cases they do not bear interest or only bear interest at nominal rates.

Whether or not the equity certificates or notices are issued to patrons as qualified or nonqualified paper depends upon whether the cooperative issuing the paper or the patron receiving it is liable currently for any Federal income taxes due on the income evidenced by the notice.

Substantial revisions were made in the Federal income tax laws relating to the tax treatment of farmer cooperatives and their patrons in the sixties. These revisions were designed primarily to ensure that amounts received by cooperatives in the course of their business activities with their patrons are included in computing the income tax of either the cooperative or the patron, thus subjecting these amounts to a current single tax.

A cooperative must pay 20 percent of the refund in money or a qualified check for patronage refunds to qualify under the law and thereby become currently deductible as qualified written notices of allocation. One of two other conditions must also be met: The patron must either have the opportunity to draw down the total refund in cash within 90 days after the allocation is made, or consent in one of three forms, to have the refund treated as constructively distributed to him and reinvested by him in the cooperative.

With respect to patron consent, a cooperative's patrons must agree "to take into account" at the stated dollar or face amount all written notices of allocation issued to them. A patron, in other words, must agree to include currently in his gross income as ordinary income the face amount of his patronage refunds.<sup>8</sup>

- (4) *Unallocated reserves* primarily represent amounts set aside from net margins to be kept in the business. All equity reserves not subject to allocation to patrons were placed in this classification. Included were such balance sheet accounts as general reserves, expansion reserves, education reserves, reserves for losses, earned surplus, tax-paid surplus, and retained earnings.

Also included with unallocated reserves were the following types of unallocated equity capital: all paid-in, contributed, and donated capital; capital surplus resulting from unclaimed checks, called stock, and other certificates for which State statutes of limitations had expired; appraisal surplus; capital reduction surplus; unallocated equity resulting from consolidation; and, minority interest of a few cooperatives in consolidated subsidiaries.

<sup>8</sup>Morrison Neely, *Legal Phases of Farmer Cooperatives, Part II, Federal Income Taxes*, Inf. 100, Farm. Coop. Serv., U.S. Dept. Agr., May 1976. This bulletin discusses in depth the Federal income tax treatment of farmer cooperatives and their patrons.

When current net margins were reported on the balance sheets of the cooperatives as undistributed equity capital, the balances were adjusted to portray amounts after distribution.

*Per unit capital retains* refer to investments made by patrons of farmer cooperatives based on the physical or dollar volume of products marketed through the cooperatives. The capital or per unit retain method of financing is used primarily by marketing cooperatives. For example, an association may retain for capital purposes 6 cents per hundredweight of milk or 1 cent per box of fruit. Only those retains used by cooperatives for clearly defined capital purposes, rather than those deductions used to cover operating expenses, were classified as capital retains for this study.

*Patronage refunds retained* applies to patronage refunds on which ultimate redemption in cash is deferred. Net savings retained in the business as noncash patronage refunds are the major source of equity capital of farmer cooperatives.

*Borrowed capital*, or borrowed funds, refers to any capital borrowed, whether long-term or current, on a formal loan basis. All other liabilities, such as accounts payable and deferred and accrued items (including commission company accounts and past-due billings and deferred paper) were not considered borrowed capital.

*Debt securities* are used in this report to cover such debt instruments as certificates of indebtedness and debenture bonds, and also borrowings on the basis of individual notes payable, including such items as lease purchase contracts and mortgage notes. All certificates fixed as to amount and maturity dates, including those issued to members and patrons, were included as debt securities under borrowed capital regardless of whether they were sold outright to investors or issued only to patrons as evidence of retained patronage refunds or capital retains.

In general, debt securities were of an unsecured nature—not protected by any lien on the property of the cooperatives issuing them.

*Other sources of borrowed funds* include borrowings by the cooperatives from other farmer cooperatives, including loans made by federated cooperatives to local member associations. Other sources also include insurance companies, marketing and supply companies, State and national farm organizations, commercial credit corporations, credit unions, and employee pension or trust funds.

*Check-off income* represents authorized deductions, made primarily by bargaining cooperatives, to cover operating expenses. These deductions are usually for small amounts and are made on a per unit basis.

## Other Publications Available

*Financial Profile of Farmer Cooperatives in the United States.* Nelda Griffin. FCS Research Report 23. October 1972.

*Statistics of Farmer Cooperatives, 1975-76.* Ralph M. Richardson and Jane H. Click. FCS Research Report 3. March 1979.

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*Legal Phases of Farmer Cooperatives.* Information 100. Morrison Neely. 1976. (Also available in 3 parts: Pt. I: Sample Legal Documents Pt. II: Federal Income Taxes. Pt. III: Antitrust Laws.)

*Subsidiaries Of Agricultural Cooperatives.* Charles A. Kraenzle, and David Volkin. Cooperative Research Report 4. February 1979.

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*Farmer Cooperative Directors, Characteristics, Attitudes.* Gilbert W. Biggs. FCS Research Report 44. February 1978.

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*Export Marketing Guide for Cooperatives.* Donald E. Hirsch. Marketing Research Report 1074. March 1977.

*Marketing Operations of Dairy Cooperatives.* George C. Tucker, William J. Monroe, and James B. Roof. FCS Research Report 38. June 1977.

*Major Regional Cooperative Supply Operations.* J. Warren Mather. FCS Research Report 40. July 1977.

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## COOPERATIVE PROGRAM

### Economics, Statistics, and Cooperatives Service

The Cooperative Program of ESCS provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The program (1) helps farmers and other rural residents obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing

existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The program publishes research and education materials and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.